



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

3

Consent
March 2, 2010

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

Title: Substitution of Loan Funds for the La Valentina Project

Location/Council District: 12th Street between C Street Alley and E Street, District 3,
Alkali Flat Redevelopment Area

Recommendation: Adopt 1) a **City Resolution** a) defunding \$1,000,000 in State Housing Trust Funds (State HTF); b) allocating \$1,000,000 in City Housing Trust Fund (City HTF) funds as a loan to 12th Street Partners, L.P. (Developer) for construction and permanent financing of the La Valentina project (Project); c) authorizing the Sacramento Housing and Redevelopment Agency (Agency) to enter into a loan commitment and loan agreement for up to \$7,035,000 with the Developer; and d) amending the Agency budget to transfer an additional \$1,000,000 in City HTF to the Project; and 2) a **Redevelopment Agency Resolution** a) authorizing the Executive Director to enter into a loan commitment and loan agreement for up to \$7,035,000 with the Developer.

Contact: Christine Weichert, Assistant Director, Housing and Community Development, 440-1353; Jeree Glasser-Hedrick, Housing Finance Program Manager, 440-1302

Presenters: N/A

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: This report requests the approval of modifications to a loan for construction and permanent financing of La Valentina (Project). The proposed Project will consist of the construction of a mixed-use, transit-oriented development on eight Agency-owned parcels. A location map is provided as Attachment 1. The Agency-owned property is located on two adjacent sites separated by D Street along the east side of the 12th Street corridor in the Alkali Flat Redevelopment Area.

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The south site, (located between D and E Streets), is proposed to be a mixed-use development adjacent to the Alkali Flat/La Valentina Light Rail Station which will include a 1,300 square foot café, a 2,000 square foot community room, 5,000 square feet of commercial/retail space, a property management office, and resident bicycle and car parking on the ground floor. There will be 63 affordable rental units located on the second, third, and fourth floors. The north site, (located between the C Street Alley and D Street), will consist of 18 affordable split-level town home-style rental units. A site map is included as Attachment 2.

Agency funds and a land donation will be leveraged with approximately \$20,000,000 in Low Income Housing Tax Credits (LIHTC), which are awarded through a separate competitive process. The Developer plans to submit an application for award of LIHTC by March 25, 2010 and anticipates award of the allocation on June 9, 2010. The City Council approved an Agency loan of \$7,035,000 in 2009. However, there has been a delay in receiving \$1,000,000 of State HTF funds from the California Department of Housing and Community Development (HCD) that the Agency committed to this project. Due to the financial challenges the State is facing, HCD has not disbursed the 2009 State HTF allocation. To fill the gap, the Agency is recommending commitment of \$1,000,000 of City HTF funds. Additional background is provided as Attachment 3, a summary of the sources and uses of project funds is included as Attachment 4, a cash flow proforma is included as Attachment 5, and a schedule of maximum rents and income levels is included as Attachment 6.

Policy Considerations: The recommended action is consistent with the following goals in the Alkali Flat Implementation Plan and Redevelopment Plan: 1) Develop a mixed-use/transit oriented development which will eliminate factors hindering economically viable use and eliminate an underutilized blighted parcel, 2) Provide safe, decent, adequate and sanitary housing through the development of a mixture of housing types for all income groups; and 3) Maximize private participation and investment in the redevelopment effort. Furthermore the action is consistent with the Agency's Multifamily and Mortgage Revenue Guidelines.

Environmental Considerations:

California Environmental Quality Act (CEQA): The proposed action meets the requirements of the California Environmental Quality Act ("CEQA"). The "La Valentina Station: Rezone, Plan Review, Special Permit, and Variances," which includes the negative declaration and mitigation measures for this project, as adopted by the City of Sacramento on March 24, 2009, is adequate and sufficient for the environmental review.

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

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reliable energy, (2) Goal number three – Air Quality, specifically by reducing the number of commute trips by single occupancy vehicles and reducing vehicle miles traveled, (3) Goal number five – Public Health and Nutrition, specifically by the cleanup, redevelopment, and reuse of areas that are brownfields, and (4) Goal number six – Urban Design, Land Use, Green Building, and Transportation specifically by reducing dependence on the private automobile by providing efficient and accessible public transit and transit-supportive land uses, and reducing long commutes by providing a wide array of transportation and housing choices near jobs for a balanced, healthy City.

Other: Environmental review pursuant to the National Environmental Policy Act (NEPA) is currently underway. The availability of federal funds for use in the Project is contingent upon the Federal Department of Housing and Urban Development's consent to the Agency's request for release of funds.

Committee/Commission Action: At its meeting of February 17, 2010, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES: Chan, Dean, Fowler, Gore, Morgan, Morton, Rosa, Shah, Stivers

NOES: None

ABSENT: Burruss, Otto

Rationale for Recommendation: Over the past 18 years, Agency staff and three different development teams have unsuccessfully attempted to revitalize the La Valentina site. As a result, the site remains vacant and unimproved. The actions proposed in this report will enable construction on this mixed-use, transit-oriented development which should begin in 2010. The approved project is designed to achieve goals of the Alkali Flat Redevelopment Plan. In addition, the actions recommended in this report enable the Agency to continue to fulfill its mission to provide a range of affordable housing opportunities in the City.

Financial Considerations: Staff recommends approval of a budget amendment that will appropriate of \$1,000,000 from City Housing Trust Funds to the La Valentina project and defunding of \$1,000,000 in State Housing Trust Funds from the project.

March 2, 2010

Substitution of Loan Funds for the La Valentina Project

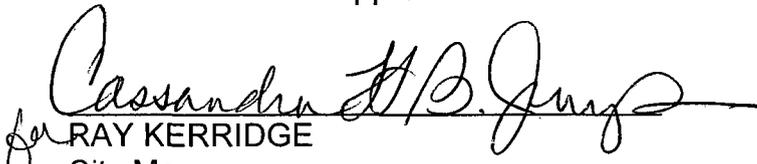
M/WBE Considerations: Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding.

Respectfully Submitted by:



LA SHELLE DOZIER
Executive Director

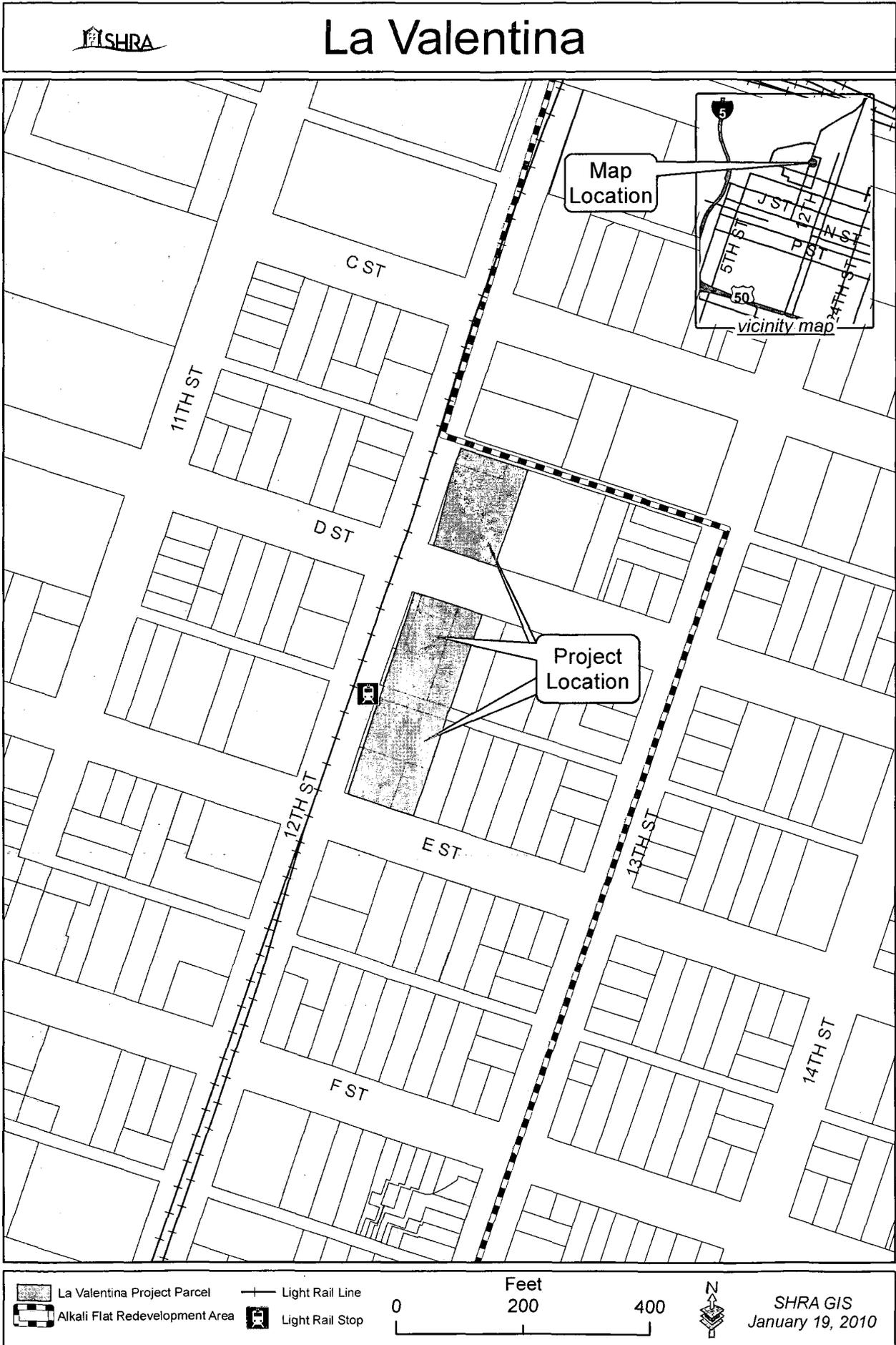
Recommendation Approved:



RAY KERRIDGE
City Manager

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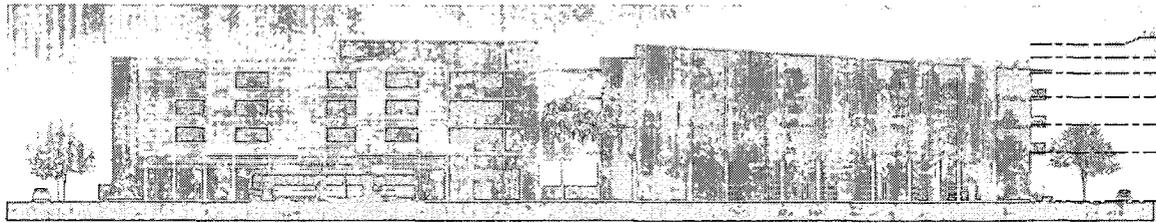


Substitution of Loan Funds for the La Valentina Project

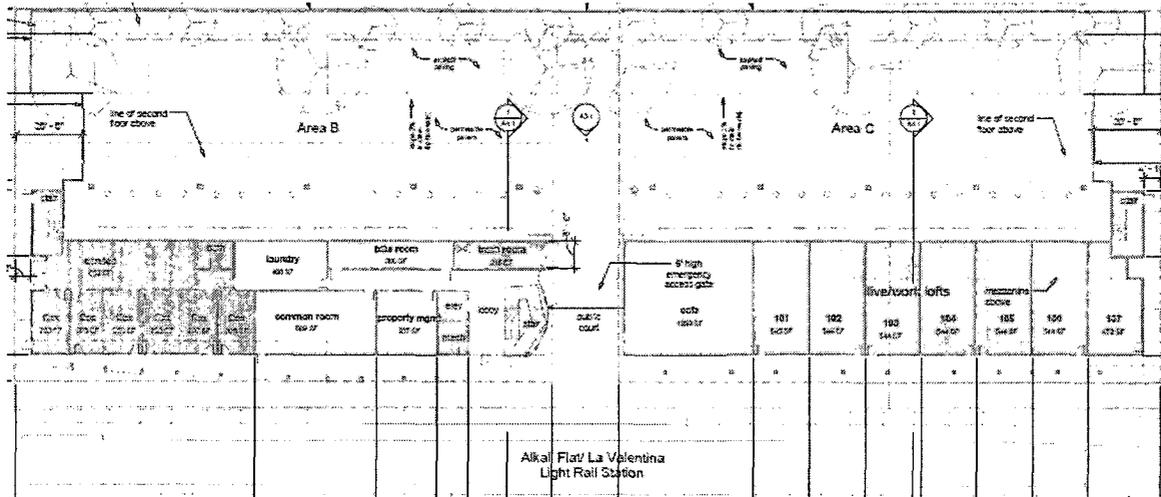
Attachment 2

Site Map

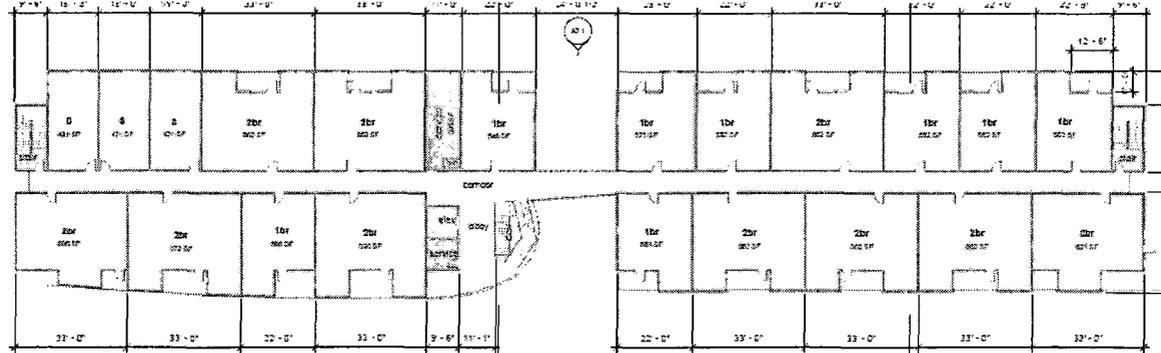
South Site: Mixed-Use Development



First Floor

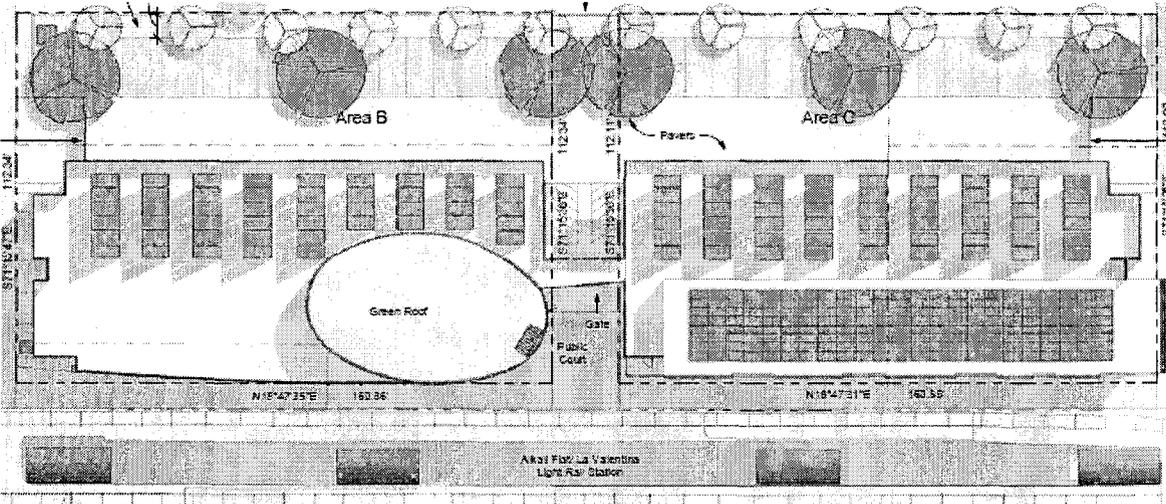


Second, Third, and Fourth Floors



Substitution of Loan Funds for the La Valentina Project

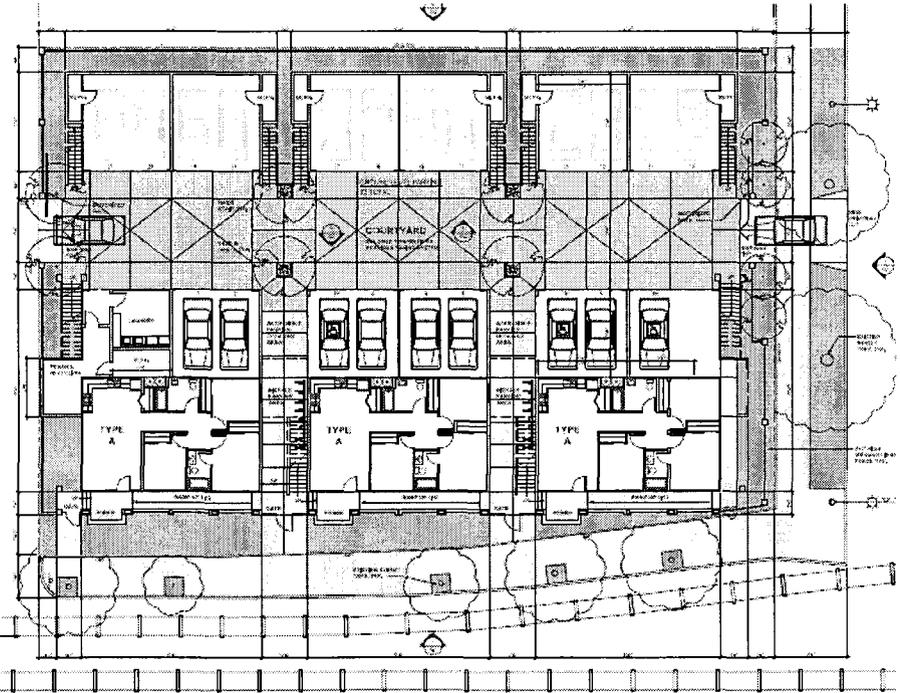
Roof



North Site: Townhomes

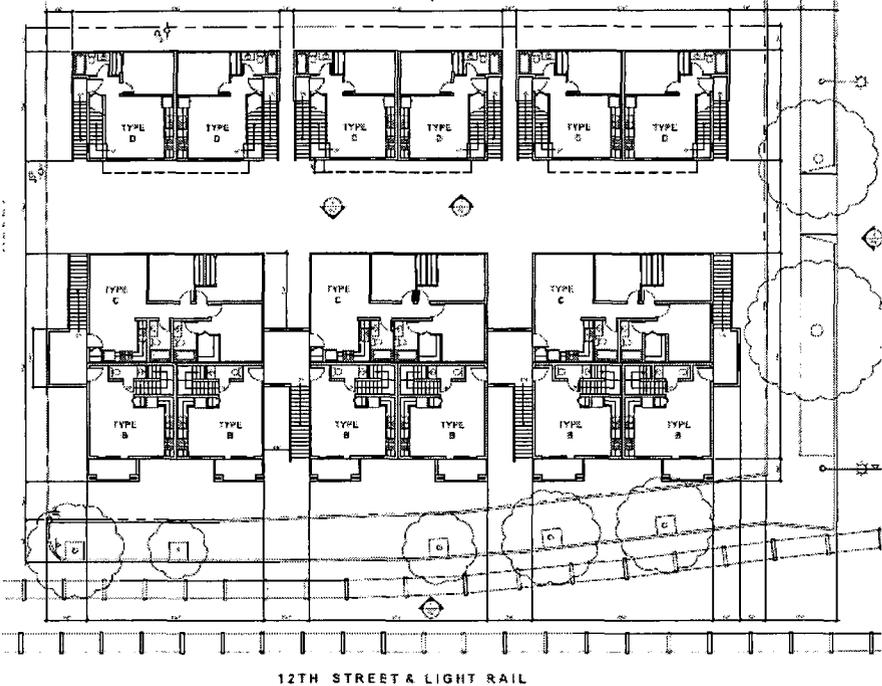


First Floor

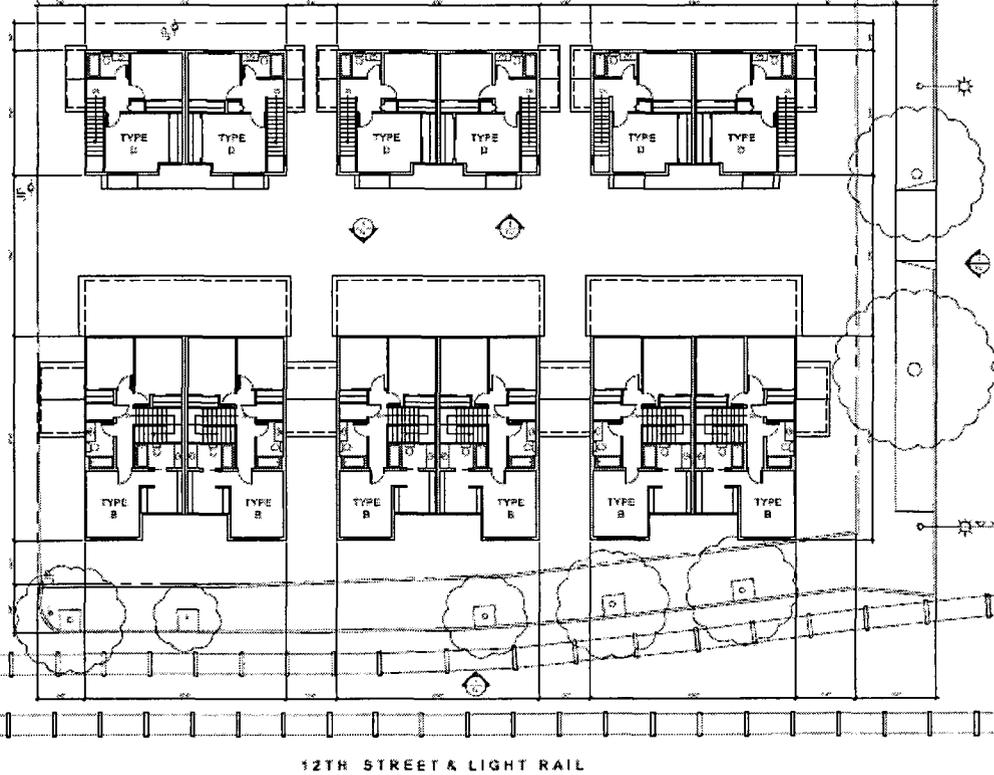


Substitution of Loan Funds for the La Valentina Project

Second Floor



Third Floor



Substitution of Loan Funds for the La Valentina Project

Attachment 3

Project Background

Site Description

The La Valentina Development Site (Site) consists of eight parcels on approximately 1.23 acres of land which were incrementally acquired by the Sacramento Housing and Redevelopment Agency (Agency) from 1986 through 2008. The site is comprised of mostly vacant parcels in a highly visible and blighted area of the Alkali Flat Redevelopment Area. One parcel contains a residential structure that had been vacant for four years and has been demolished. The Site is located on 12th Street, which serves as the primary commercial corridor for the community of Alkali Flat and is one of the main routes into Sacramento's downtown from the north.

Current Concept Design

The proposed La Valentina project (Project) will consist of the construction of a mixed-use, transit-oriented development on eight Agency-owned parcels. The Agency-owned property is located on two adjacent sites separated by D Street along the east side of the 12th Street corridor in the Alkali Flat Redevelopment Area. The south site, (located between D and E Streets), will be a mixed-use property adjacent to the Alkali Flat/La Valentina Light Rail Station which will include a 1,300 square foot café, 5,000 square feet of commercial/retail space, a 2,000 square foot community room, a property management office, a play area for resident children, and parking on the ground floor. There will be 63 affordable rental units located on the second, third, and fourth floors. The north site, (located between the C Street Alley and D Street), will consist of 18 affordable split-level townhome-style rental units. The entire project will consist of a total of 12 studios, 24 one-bedroom units, 21 two-bedroom units, and 24 three-bedroom units.

The Project has been designed as a sustainable development, incorporating principles from transit-oriented development and Leadership in Energy and Environmental Design (LEED). The Project will have many green features, including energy efficient systems, rooftop photovoltaic solar panels, solar hot water heating systems, a green eco-roof featuring rooftop plantings, and a bio-swale infiltration system which filters water runoff through plantings before entering the City's water system. The south site property is split into two distinct buildings connected by an open-air bridge and share elevator service. The perimeter will consist of painted stucco and paneling in alternating hardiplank material. The balconies on the southern building will be made of corten metal. The north site townhomes are located within six three-story, wood-framed buildings with painted fiber-cement panels, split-faced concrete block, and concrete tile roof.

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Proposed Project Funding Sources

This staff report proposes an Agency loan of \$7,035,000 comprised of \$3,735,000 in City Housing Trust Funds, \$1,000,000 2004 State Housing Trust Funds, \$1,600,000 in Alkali Flat Project Area Tax Increment funds, and \$700,000 in HOME funds.

This Agency loan will leverage a combination of public and private funds in order to finance the project development. 12th Street Partners will fund the project costs with 9% Low Income Housing Tax Credit (LIHTC) equity through the California Tax Credit Allocation Committee (TCAC); Cal-Reuse Remediation Program (CalReUSE) grant funds through the California Pollution Control Financing Authority (CPCFA); Townhome of the Future Grant Funds through the Sacramento Municipal Utility District (SMUD); Community Development Block Grant Recovery funds (CDBG-R) through the Agency; bank loans; and developer equity. Despite the market downturn there is still demand for 9% LIHTCs, and 12th Street Partners is confident that they will be able to secure the tax credit equity needed to proceed.

LIHTC funds are awarded through competitive processes. The project performs very well on both the basic score and tiebreaker score. The LIHTC application is due on March 25, 2010, and TCAC allocations will be awarded on June 9, 2010. Once 12th Street Partners has secured all public and private funding sources, construction will begin on this project in late 2010. Project funds will be disbursed to the developer as reimbursement for construction completed.

**La Valentina
Project Summary**

Address	12th Street between C Street Alley and E Street			
Number of Units	81			
Year Built	New Construction			
Acreage	1.23 acres			
Affordability	24 units at or below 30% of Area Median Income (AMI) 40 units at or below 50% of AMI 16 units at or below 60% of AMI 1 Manager's Units unrestricted			
Unit Mix and Rents	(30% AMI)	(50% AMI)	(60% AMI)	Manager Unit
Studio	4	6	2	0
1 Bedroom	7	12	5	0
2 Bedroom	6	10	4	1
3 Bedroom	7	12	5	0
	24	40	16	1
Square Footage	<i>Residential</i>	<i>Commercial</i>	<i>Community</i>	<i>Total</i>
Total	75,200	5,000	2,000	82,200
Studio	600			in sq ft
1 Bedroom	900			
2 Bedroom	1000			
3 Bedroom	1100			
Resident Facilities	This is a mixed-use, transit-oriented development adjacent to a light rail station. The project features a community room, laundry facilities, property management office, and 5,000 square feet of ground floor commercial space.			
Permanent Sources	<i>Total</i>	<i>Per Unit</i>	<i>Per Sq Ft</i>	
Tax Credit Equity	\$ 19,689,000	\$ 243,074	\$ 239.53	
Agency Loan	\$ 7,035,000	\$ 86,852	\$ 85.58	
CalReUSE	\$ 631,000	\$ 7,790	\$ 7.68	
CDBG-R	\$ 221,000	\$ 2,728	\$ 2.69	
SMUD	\$ 417,000	\$ 5,148	\$ 5.07	
Bank Loan	\$ 1,459,000	\$ 18,012	\$ 17.75	
Fee Waivers	\$ 120,000	\$ 1,481	\$ 1.46	
Deferred Developer Fee Note	\$ 380,000	\$ 4,691	\$ 4.62	
TOTAL SOURCES	\$ 29,952,000	\$ 369,778	\$ 364.38	
Permanent Uses				
Off-site and Land Improvements	\$ 620,000	\$ 7,654	\$ 7.54	
Construction	\$ 19,179,000	\$ 236,778	\$ 233.32	
Development Impact Fees/Permits	\$ 1,697,000	\$ 20,951	\$ 20.64	
Architecture, Engineering, Survey	\$ 2,160,000	\$ 26,667	\$ 26.28	
Contingency	\$ 2,083,000	\$ 25,716	\$ 25.34	
Financing Costs	\$ 1,296,000	\$ 16,000	\$ 15.77	
Reserves	\$ 287,000	\$ 3,543	\$ 3.49	
Legal Fees	\$ 63,000	\$ 778	\$ 0.77	
Developer Fee	\$ 2,000,000	\$ 24,691	\$ 24.33	
Third Party Reports, Marketing, Other	\$ 567,000	\$ 7,000	\$ 6.90	
TOTAL USES	\$ 29,952,000	\$ 369,778	\$ 364.38	
Management / Operations				
Proposed Developer:	Domus Development, LLC			
Property Management Company:	Domus Management Company			
Operations Budget:	\$351,176	\$4,336 per unit		
Replacement Reserves:	\$24,300	\$300 per unit		

La Valentina
Project 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
Studio @ 30% AMI	4	600	2,400	\$ 382	\$ 56	\$ 326	\$ 0.54	\$ 1,304	\$ 15,648
Studio @ 50% AMI	6	600	3,600	\$ 637	\$ 56	\$ 581	\$ 0.97	\$ 3,486	\$ 41,832
Studio @ 60% AMI	2	600	1,200	\$ 765	\$ 56	\$ 709	\$ 1.18	\$ 1,418	\$ 17,016
1 BD @ 30% AMI	7	900	6,300	\$ 409	\$ 63	\$ 346	\$ 0.38	\$ 2,422	\$ 29,064
1 BD @ 50% AMI	12	900	10,800	\$ 682	\$ 63	\$ 619	\$ 0.69	\$ 7,428	\$ 89,136
1 BD @ 60% AMI	5	900	4,500	\$ 819	\$ 63	\$ 756	\$ 0.84	\$ 3,780	\$ 45,360
2 BD @ 30% AMI	6	1100	6,600	\$ 491	\$ 79	\$ 412	\$ 0.37	\$ 2,472	\$ 29,664
2 BD @ 50% AMI	10	1100	11,000	\$ 818	\$ 79	\$ 739	\$ 0.67	\$ 7,390	\$ 88,680
2 BD @ 60% AMI	4	1100	4,400	\$ 982	\$ 79	\$ 903	\$ 0.82	\$ 3,612	\$ 43,344
3 BD @ 30% AMI	7	1250	8,750	\$ 567	\$ 104	\$ 463	\$ 0.37	\$ 3,241	\$ 38,892
3 BD @ 50% AMI	12	1250	15,000	\$ 946	\$ 104	\$ 842	\$ 0.67	\$ 10,104	\$ 121,248
3 BD @ 60% AMI	5	1250	6,250	\$ 1,135	\$ 104	\$ 1,031	\$ 0.82	\$ 5,155	\$ 61,860
2 BD Manager's Unit	1	1100	1,100	\$ 982	\$ -	\$ 982	\$ 0.89	\$ 982	\$ 11,784
Totals	81		80,800					\$ 51,812	\$ 621,744

<u>Income</u>	rate	annual increase	per unit	2011 Year 1	2012 Year 2	2013 Year 3	2014 Year 4	2015 Year 5	2020 Year 10	2030 Year 20	2040 Year 30	2050 Year 40
Potential Gross Income		2.50%		621,744	637,288	653,220	669,550	686,289	776,473	993,951	1,272,342	1,628,705
Commercial Income		2.50%		64,800	66,420	68,081	69,783	71,527	80,926	103,593	132,607	169,748
Other Income		2.50%		7,750	7,944	8,142	8,346	8,555	9,679	12,390	15,860	20,302
Less Commercial Vacancy	20% (50% in Yr 1 & 2)			32,400	33,210	13,616	13,957	14,305	16,185	20,719	26,521	33,950
Less Residential and Other Vacancy	5.00%			31,087	31,864	32,661	33,478	34,314	38,824	49,698	63,617	6,790
Effective Gross Income				\$630,807	\$646,577	\$683,166	\$700,245	\$717,751	\$812,069	\$1,039,517	\$1,330,670	\$1,778,015
<u>Operating Expenses</u>												
Operating Expenses		3.50%	4,336	351,176	363,467	376,189	389,355	402,983	478,617	675,136	952,346	1,343,379
Assessments		2.00%	105	8,500	8,670	8,843	9,020	9,201	10,158	12,383	15,095	18,400
Property Management		3.50%	474	38,400	39,744	41,135	42,575	44,065	52,335	73,824	104,136	146,894
Social Services		2.00%	296	24,000	24,480	24,970	25,469	25,978	28,682	34,963	42,620	51,954
Safety		2.00%	185	15,000	15,300	15,606	15,918	16,236	17,926	21,852	26,638	32,471
Replacement Reserves		0.00%	300	24,300	24,300	24,300	24,300	24,300	24,300	24,300	24,300	24,300
Total Expenses			5,696	\$461,376	\$475,961	\$491,043	\$506,637	\$522,763	\$612,019	\$842,459	\$1,165,135	\$1,617,398
Net Operating Income				\$169,431	\$170,616	\$192,123	\$193,607	\$194,988	\$200,050	\$197,058	\$165,535	\$160,617

<u>Debt Service</u>	amount	rate	amort									
Bank Loan	\$1,459,000	7.50%	30	122,418	122,418	122,418	122,418	122,418	122,418	122,418	122,418	0
Debt Service Subtotal				\$122,418	\$0							

<u>Priority Distributions</u>												
Asset Management Fee (GP)		0.00%		7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Partnership Management Fee (LP)		0.00%		25,000	25,000	25,000	25,000	25,000	25,000	0	0	0
Priority Distributions Subtotal				\$32,500	\$32,500	\$32,500	\$32,500	\$32,500	\$32,500	\$7,500	\$7,500	\$7,500

<u>Deferred Developer Fee</u>												
Net Cash after Priority Distributions				\$14,512	\$15,697	\$37,205	\$38,689	\$40,069	\$45,132	\$67,140	\$35,616	\$153,117
Principal Balance	\$380,000	4.00%		380,000	380,688	380,218	358,222	333,862	177,222	0	0	0
Accumulated Interest				15,200	15,228	15,209	14,329	13,354	7,089	0	0	0
Payment				14,512	15,697	37,205	38,689	40,069	45,132	0	0	0
Balance				\$380,688	\$380,218	\$358,222	\$333,862	\$307,147	\$139,180	\$0	\$0	\$0

Net Cash after Deferred Developer Fee				\$0	\$0	\$0	\$0	\$0	\$0	\$67,140	\$35,616	\$153,117
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<u>Agency Loan</u>												
Principal Balance	\$7,035,000	4.00%		7,035,000	7,035,000	7,035,000	7,035,000	7,035,000	7,035,000	7,035,000	7,035,000	7,035,000
Accumulated Interest				281,400	562,800	844,200	1,125,600	1,407,000	2,814,000	5,373,471	7,862,444	9,180,246
Payment				0	0	0	0	0	0	41,797	15,527	16,215,246
Balance				\$7,316,400	\$7,597,800	\$7,879,200	\$8,160,600	\$8,442,000	\$9,849,000	\$12,366,675	\$14,881,917	\$0

Net Cash After Loan Repayment				\$0	\$0	\$0	\$0	\$0	\$0	\$25,343	\$20,089	
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MAXIMUM RENT AND INCOME LEVELS 2009
(Rents @ 30%,50%, and 60% of AMI where applicable)

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:			
Alkali Flat Project Area Tax Increment Funds			
Unit Size	Gross Rent 30% AMI	Gross Rent 50% AMI	Gross Rent 60% AMI
Studio	\$382.00	\$637.50	\$765.00
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
Studio	\$382.00	\$637.00	\$765.00
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 @ 50% AMI	Gross Rent @ 60% AMI
Studio		\$637.00	\$737.00
1 Bedroom		\$682.00	\$838.00
2 Bedroom		\$818.00	\$1,022.00
3 Bedroom		\$946.00	\$1,196.00

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RESOLUTION NO. 2010 –

Adopted by the Sacramento City Council

on the date

LA VALENTINA: AUTHORIZING A LOAN COMMITMENT FOR CONSTRUCTION AND PERMANENT FINANCING WITH 12TH STREET PARTNERS, L.P. FOR THE DEVELOPMENT OF THE LA VALENTINA PROJECT

BACKGROUND

- A. On August 11, 2009, the Redevelopment Agency of the City of Sacramento and City Council approved a Seven Million Thirty Five Thousand Dollar (\$7,035,000) loan comprised of \$2,735,000 in City Housing Trust Fund (HTF), \$2,000,000 in State Housing Trust Fun (HTF), \$1,600,000 in Alkali Flat Tax Increment Funds (Alkali Flat TI), and \$700,000 in City Home Investment Partnership Program (HOME), and associated budget amendments to assist in funding the costs of construction and permanent financing of the La Valentina Project (Project) and authorized the Sacramento Housing and Redevelopment Agency (Agency) to execute and transmit a loan commitment to 12th Street Partners (Developer).
- B. The California State Housing and Community Development Department (HCD) awarded an allocation of One Million Dollars (\$1,000,000) in 2004 and Two Million Dollars (\$2,000,000) in 2009 of State HTF to the Agency. However, HCD is facing challenges in disbursing the 2009 State HTF because the state is currently unable to issue bonds.
- C. The Developer has applied for a reduced total allocation of One Million Dollars (\$1,000,000) in State HTF;
- D. The Developer has applied for an additional allocation of One Million Dollars (\$1,000,000) in City HTF, for a total allocation of Three Million Seven Hundred Thirty Five Thousand Dollars (\$3,735,000) in City HTF to augment the gap of Million Dollars (\$1,000,000) of resulting from the 2009 State HTF for the construction and permanent financing of the Project;
- E. The Project qualifies for City HTF and State HTF under Agency guidelines and would be an appropriate use of these funds;

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

- Section 1. The Agency is authorized to amend the budget to transfer up to an additional One Million Dollars (\$1,000,000) in City HTF to the Project, for a total of Three Million Seven Hundred Thirty Five Thousand Dollars (\$3,735,000) in City HTF.
- Section 2. The Agency is authorized to defund One Million Dollars (\$1,000,000) in State HTF from the Project for a total of One Million Dollars in State HTF.
- Section 3. The amended Loan Commitment Letter, attached to and incorporated in this resolution by this reference, for financing the Project with \$3,735,000 in City HTF and \$1,000,000 in State HTF (for a total of up to \$7,035,000 including \$1,600,000 in Alkali Flat Tax Increment Funds, and \$700,000 in City Home Investment Partnership Program), is approved, and the Agency is authorized to execute and transmit the Loan Commitment to the Developer.
- Section 4. The Agency is authorized to enter into and execute other documents and perform other actions necessary to fulfill the intent of the Loan Commitment that accompanies this resolution, in accordance with its terms, and to ensure proper repayment of the Agency funds including without limitation, subordination, extensions, and restructuring of such a loan.
- Section 5. The Agency is authorized to make technical amendments to said documents with approval of Agency Counsel, which amendments are in accordance with the amended Loan Commitment, with Agency policy, with this resolution, and with good legal practices for making of such a loan.

Exhibit A – Loan Commitment letter

March 2, 2010

Substitution of Loan Funds for the La Valentina Project

Exhibit A

February 4, 2010

Meea Kang
12th Street Partners, LP
594 Howard Street, Suite 204
San Francisco, CA 94105

RE: Conditional Funding Commitment, La Valentina

Dear Ms. Kang,

On behalf of the Sacramento Housing and Redevelopment Agency and the Redevelopment Agency of the City of Sacramento (collectively "Agency"), we are pleased to advise you of its commitment of construction and permanent loan funds ("Loan") from \$3,735,000 in the City Housing Trust Fund ("City HTF"), \$1,000,000 in State Housing Trust Fund ("State HTF"), \$1,600,000 in Alkali Flat Project Area Tax Increment Funds ("TI"), and \$700,000 in City Home Investment Partnership Program ("HOME") for the purpose of financing the development of that certain real property located on the east side of 12th Street between the C Street Alley and E Street in Sacramento, California ("Property"). Agency's decision is based on your application, and all representations and information supplied by you to it. If these representations and information change in a material manner without written approval of Agency, this commitment is void. Agency's obligation to make the Loan is subject to satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

This Loan Commitment shall supersede and replace the prior Loan Commitment dated August 11, 2009. The Loan shall be made on standard Agency loan documents. No loan terms not in this funding commitment shall be included in the final loan documents without additional environmental review and governing board approval. In the event of any discrepancies between terms stated in this commitment and the loan documents, the terms stated in the loan commitment letter shall be deemed to be terms of this commitment.

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

This commitment will expire on December 31, 2010.

1. PROJECT DESCRIPTION: The project is the new construction of mixed-use, transit-oriented development. The property is located on two sites along the east side of 12th

Substitution of Loan Funds for the La Valentina Project

Street between the C Street Alley and E Street, at assessor's parcel numbers 002-0082-016, 002-0082-024, 002-0121-027, 002-0121-032, 002-0121-034, 002-0121-036, 002-0121-038. The south site, located between D Street and E Street, will contain a community room and at least 5,000 square feet of commercial space on the ground floor and 63 units of affordable rental housing on the second, third, and fourth floors. The north site, located between the C Street Alley and D Street, will contain 18 units of townhome-style rental units. Between the two sites, at least sixty (60) units will be affordable to families earning less than 50 percent of the area median income and all of the remaining units, with the exception of the unrestricted manager's unit, will be affordable to families earning less than 60 percent of the area median income.

2. BORROWER: The name of the Borrower for the Loan is 12th Street Partners, LP.
3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely to pay the costs of construction and permanent financing, or for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, and such other agreements as may be generally required by the Agency for the use of the funding source for the Loan.
4. PRINCIPAL AMOUNT: The combined principal amount of the Loan will be the lesser of (a) Seven Million Thirty Five Thousand Dollars (\$7,035,000), 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 Loan shall mature 40 years from the date of the first disbursement.
6. INTEREST RATE: The Loan shall bear simple interest at Four Percent (4%) per annum. Interest shall be calculated on the basis of a 365-day year and actual days elapsed.
7. AMORTIZATION: Loan shall amortize as permitted by monthly payments.
8. MONTHLY PAYMENT: Monthly payments shall be applied first to outstanding interest accrued and unpaid and then to principal. Interest and principal payments shall be deferred from the date of the loan for the first 204 months. Beginning in month 205, monthly installments shall be made according to the following schedule:

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Substitution of Loan Funds for the La Valentina Project

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Month 480	All outstanding principal and interest due and payable

9. SOURCE OF LOAN FUNDS: Agency is making the Loan from the following sources of funds, and the Loan is subject to all requirements related to the use of such, whether Agency requirements or otherwise: \$3,735,000 in City HTF, \$1,000,000 in State HTF, \$1,600,000 in TI, and \$700,000 in HOME. This Loan is conditioned upon Borrower’s acceptance of Agency’s requirements and conditions related to such lending programs and funding sources, including among others, the required forms of agreements for the Loan; the requirements for covenants, conditions and restrictions upon the Property; and insurance and indemnity requirements.

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

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Borrower acknowledges that every contract for new construction or rehabilitation construction of housing that includes 12 or more units assisted with HOME funds will contain a provision requiring the payment of not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act (40 U.S.C. 276a-5), to all laborers and mechanics employed in the development of any part of the housing. Such contracts must also be subject to the overtime provisions, as applicable, of the Contract Work Hours and Safety standards Act (40 U.S.C. 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)

Substitution of Loan Funds for the La Valentina Project

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 first lien upon the Property and Improvements subject only to 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 construction of the Property.
12. LAND DONATION: Agency shall donate to Borrower the eight parcels of land valued at approximately \$1,610,000 identified in Section 1 of this commitment letter. This land donation is conditioned upon Borrower's acceptance of Agency's requirements and conditions, including among others, execution of the Disposition and Development Agreement.
13. LEASE AND RENTAL SCHEDULE: All leases of the Property and Improvements shall be subject to Agency's approval prior to execution. Borrower shall not deviate from the rental schedule presented in Borrower's application for the Loan without Agency's prior written approval.
14. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$20,275,000 in Low Income Housing Tax Credit Equity and no less than \$379,000 in deferred developer fee.
15. OTHER FINANCING: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:
 - (a) As a condition precedent to disbursement of the remainder of the Agency loan, construction financing from a private lender(s) in an amount(s) sufficient to complete construction of the Property according to a scope of work as approved by Agency and made for a term not less than that specified in the Schedule of Performances for completion of construction, and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.
 - (b) Commitments for permanent financing sufficient to "take out" all liens senior to the Agency's lien.
 - (c) Such commitments for financing shall not require modification of Agency loan documents, or any term of this commitment letter.

Substitution of Loan Funds for the La Valentina Project

- (d) Such commitments shall not be based upon sources and uses of Project funds that are different from those approved by Agency for the project or be subject to conditions which require amendment of the DDA, OPA or other agreements.
16. EVIDENCE OF FUNDS: Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its reasonable discretion; and c) Agency's contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.
 17. LOAN IN BALANCE: Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders are sufficient, in the sole judgment of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency. Should the Agency determine that the Loan is not "in balance", the Agency may declare the Loan to be in default.
 18. PLANS AND SPECIFICATIONS: Final plans and specifications for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the disbursal of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the project.
 19. ARCHITECTURAL AGREEMENT: The architectural agreement ("Agreement") for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
 20. CONSTRUCTION CONTRACT: The construction contract ("Contract"), and any change orders issued thereunder, and the contractor ("Contractor") to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Contract as security for the Loan.
 21. RETENTION AMOUNT: The Agency shall 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

Substitution of Loan Funds for the La Valentina Project

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. ENVIRONMENTAL REVIEW: HOME funds shall not be disbursed prior to the completion of environmental review pursuant to the National Environmental Policy Act.
24. COST SAVINGS: At completion of construction, borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the projected final sources of funding. If there is an aggregate savings, net of any increases or decreases in sources of funding, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Agency, the Agency shall withhold for itself as loan repayment, one-half of such savings from the amount of retention then held by the Agency, and the Loan balance shall be reduced by the amount so withheld. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency loan based upon this cost certification, the projected final sources of funding, and the original approved budget for the project.
25. 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 December 31, 2010.
26. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than December 31, 2012.
27. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance or in lieu such insurance, Builder's Risk completed value insurance in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a

Substitution of Loan Funds for the La Valentina Project

standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000.00).

28. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain public liability and property damage insurance (with Agency named as additional insured) in a form approved by Agency. Coverage must be approved by Agency and must be in at least the following limits of liability: 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
29. 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 third lien or charge upon the Property and Improvements subject only to such items as shall have been approved by Agency. There must be no exceptions permitted for mechanics liens. Title insurance for the Loan must be issued by a title insurer approved by Agency.
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

Substitution of Loan Funds for the La Valentina Project

statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. During the term of the Loan, Borrower must deliver to Agency a monthly rent-roll including household composition information, and operating statements with respect to the Property and Improvements, as Agency may request.

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. LOW INCOME HOUSING TAX CREDITS("LIHTC"): Borrower represents that as a condition of closing this Loan it is applying for an allocation of LIHTCs and agrees to perform all actions and to meet all requirements to maintain the LIHTC allocation if granted.
36. SECURITY AND LIGHTING: Project shall include a security camera system approved by the Agency and lighting adequate to properly illuminate the parking area and all common spaces. In addition, project will include security patrol if necessary.
37. SOCIAL SERVICES PLAN: Borrower shall provide Agency with a detailed social services plan including, but not limited to, the following information: 1) identification of all entities responsible for providing social services to Project tenants and each entity's role in the provision of those services; 2) the services will be provided for a minimum of 15 hours per week, including a minimum of 8 hours per week of after school activities; 3) a description of the programs to be offered, and; 4) a proforma social services budget.
38. 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.
39. 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.
40. 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.

March 2, 2010

Substitution of Loan Funds for the La Valentina Project

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.

Yours truly,

LaShelle Dozier
Executive Director

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

LaShelle Dozier
Executive Director

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

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

Dated:

BORROWER:
12th Street Partners, LP

By: _____
Meea Kang

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RESOLUTION NO. 2010 –

Adopted by the Redevelopment Agency of the City of Sacramento

on the date

LA VALENTINA: AUTHORIZING A LOAN COMMITMENT FOR CONSTRUCTION AND PERMANENT FINANCING WITH 12TH STREET PARTNERS, L.P. FOR THE DEVELOPMENT OF THE LA VALENTINA PROJECT

BACKGROUND

- A. On June 2, 2009, the Redevelopment Agency of the City of Sacramento and the City Council approved a Four Million Dollar (\$4,000,000) loan for the La Valentina Project (Project) comprised of One Million Six Hundred Thousand Dollars (\$1,600,000) in Alkali Flat Tax Increment Funds (Alkali Flat TI), Seven Hundred Thousand Dollars (\$700,000) in State Housing Trust Funds (State HTF), and Seven Hundred Thousand Dollars (\$700,000) in City Home Investment Partnership Program (HOME) Funds.
- B. On August 11, 2009, the Redevelopment Agency and City Council approved a Seven Million Thirty Five Thousand Dollar (\$7,035,000) loan comprised of \$2,735,000 in City Housing Trust Fund (City HTF), \$2,000,000 in State HTF, \$1,600,000 in Alkali Flat TI, and \$700,000 in HOME Funds, and associated budget amendments to assist in funding the costs of construction and permanent financing of the Project and the City Council authorized the Sacramento Housing and Redevelopment Agency (Agency) to execute and transmit a loan commitment to 12th Street Partners (Developer).
- C. The California State Housing and Community Development Department (HCD) awarded an allocation of One Million Dollars (\$1,000,000) in 2004 and Two Million Dollars (\$2,000,000) in 2009 of State HTF to the Agency. However, HCD is facing challenges in disbursing the 2009 State HTF because the state is currently unable to issue bonds.
- D. The Developer has applied for a reduced total allocation of One Million Dollars (\$1,000,000) in State HTF.
- E. The Developer has applied for an additional allocation of One Million Dollars (\$1,000,000) in City HTF, for a total allocation of Three Million Seven Hundred Thirty Five Thousand Dollars (\$3,735,000) in City HTF to augment the gap of Million Dollars (\$1,000,000) resulting from the 2009 State HTF for the construction and permanent financing of the Project.

- A. The Project qualifies for City HTF and State HTF under Agency guidelines and would be an appropriate use of these funds

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

- Section 1. The amended Loan Commitment Letter, attached to and incorporated in this resolution by this reference, for financing the Project with \$7,035,000, (including \$3,735,000 in City HTF, \$1,000,000 in State HTF, \$1,600,000 in Alkali Flat Tax Increment Funds, and \$700,000 in City Home Investment Partnership Program), is approved, and the Executive Director, or designee, is authorized to execute and transmit the Loan Commitment to the Developer.
- Section 2. The Executive Director, or designee, is authorized to enter into and execute other documents and perform other actions necessary to fulfill the intent of the Loan Commitment that accompanies this resolution, in accordance with its terms, and to ensure proper repayment of the Agency funds including without limitation, subordination, extensions, and restructuring of such a loan.
- Section 3. The Executive Director, or designee, is authorized to make technical amendments to said documents with approval of Agency Counsel, which amendments are in accordance with the amended Loan Commitment, with Agency policy, with this resolution, and with good legal practices for making of such a loan.

Exhibit A – Loan Commitment Letter

March 2, 2010

Substitution of Loan Funds for the La Valentina Project

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February 4, 2010

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This Loan Commitment shall supersede and replace the prior Loan Commitment dated August 11, 2009. The Loan shall be made on standard Agency loan documents. No loan terms not in this funding commitment shall be included in the final loan documents without additional environmental review and governing board approval. In the event of any discrepancies between terms stated in this commitment and the loan documents, the terms stated in the loan commitment letter shall be deemed to be terms of this commitment.

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Borrower acknowledges that every contract for new construction or rehabilitation construction of housing that includes 12 or more units assisted with HOME funds will contain a provision requiring the payment of not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act (40 U.S.C. 276a-5), to all laborers and mechanics employed in the development of any part of the housing. Such contracts must also be subject to the overtime provisions, as applicable, of the Contract Work Hours and Safety standards Act (40 U.S.C. 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)

Substitution of Loan Funds for the La Valentina Project

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 first lien upon the Property and Improvements subject only to 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 construction of the Property.
12. LAND DONATION: Agency shall donate to Borrower the eight parcels of land valued at approximately \$1,610,000 identified in Section 1 of this commitment letter. This land donation is conditioned upon Borrower's acceptance of Agency's requirements and conditions, including among others, execution of the Disposition and Development Agreement.
13. LEASE AND RENTAL SCHEDULE: All leases of the Property and Improvements shall be subject to Agency's approval prior to execution. Borrower shall not deviate from the rental schedule presented in Borrower's application for the Loan without Agency's prior written approval.
14. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$20,275,000 in Low Income Housing Tax Credit Equity and no less than \$379,000 in deferred developer fee.
15. OTHER FINANCING: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:
 - (a) As a condition precedent to disbursement of the remainder of the Agency loan, construction financing from a private lender(s) in an amount(s) sufficient to complete construction of the Property according to a scope of work as approved by Agency and made for a term not less than that specified in the Schedule of Performances for completion of construction, and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.
 - (b) Commitments for permanent financing sufficient to "take out" all liens senior to the Agency's lien.
 - (c) Such commitments for financing shall not require modification of Agency loan documents, or any term of this commitment letter.

Substitution of Loan Funds for the La Valentina Project

- (d) Such commitments shall not be based upon sources and uses of Project funds that are different from those approved by Agency for the project or be subject to conditions which require amendment of the DDA, OPA or other agreements.
16. EVIDENCE OF FUNDS: Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its reasonable discretion; and c) Agency's contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.
 17. LOAN IN BALANCE: Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders are sufficient, in the sole judgment of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency. Should the Agency determine that the Loan is not "in balance", the Agency may declare the Loan to be in default.
 18. PLANS AND SPECIFICATIONS: Final plans and specifications for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the disbursal of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the project.
 19. ARCHITECTURAL AGREEMENT: The architectural agreement ("Agreement") for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
 20. CONSTRUCTION CONTRACT: The construction contract ("Contract"), and any change orders issued thereunder, and the contractor ("Contractor") to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Contract as security for the Loan.
 21. RETENTION AMOUNT: The Agency shall 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

Substitution of Loan Funds for the La Valentina Project

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. ENVIRONMENTAL REVIEW: HOME funds shall not be disbursed prior to the completion of environmental review pursuant to the National Environmental Policy Act.
24. COST SAVINGS: At completion of construction, borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the projected final sources of funding. If there is an aggregate savings, net of any increases or decreases in sources of funding, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Agency, the Agency shall withhold for itself as loan repayment, one-half of such savings from the amount of retention then held by the Agency, and the Loan balance shall be reduced by the amount so withheld. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency loan based upon this cost certification, the projected final sources of funding, and the original approved budget for the project.
25. 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 December 31, 2010.
26. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than December 31, 2012.
27. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance or in lieu such insurance, Builder's Risk completed value insurance in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a

Substitution of Loan Funds for the La Valentina Project

standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000.00).

28. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain public liability and property damage insurance (with Agency named as additional insured) in a form approved by Agency. Coverage must be approved by Agency and must be in at least the following limits of liability: 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
29. 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 third lien or charge upon the Property and Improvements subject only to such items as shall have been approved by Agency. There must be no exceptions permitted for mechanics liens. Title insurance for the Loan must be issued by a title insurer approved by Agency.
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

Substitution of Loan Funds for the La Valentina Project

statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. During the term of the Loan, Borrower must deliver to Agency a monthly rent-roll including household composition information, and operating statements with respect to the Property and Improvements, as Agency may request.

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. LOW INCOME HOUSING TAX CREDITS("LIHTC"): Borrower represents that as a condition of closing this Loan it is applying for an allocation of LIHTCs and agrees to perform all actions and to meet all requirements to maintain the LIHTC allocation if granted.
36. SECURITY AND LIGHTING: Project shall include a security camera system approved by the Agency and lighting adequate to properly illuminate the parking area and all common spaces. In addition, project will include security patrol if necessary.
37. SOCIAL SERVICES PLAN: Borrower shall provide Agency with a detailed social services plan including, but not limited to, the following information: 1) identification of all entities responsible for providing social services to Project tenants and each entity's role in the provision of those services; 2) the services will be provided for a minimum of 15 hours per week, including a minimum of 8 hours per week of after school activities; 3) a description of the programs to be offered, and; 4) a proforma social services budget.
38. 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.
39. 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.
40. 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.

March 2, 2010

Substitution of Loan Funds for the La Valentina Project

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.

Yours truly,

LaShelle Dozier
Executive Director

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

LaShelle Dozier
Executive Director

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

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

Dated:

BORROWER:
12th Street Partners, LP

By: _____
Meea Kang

RESOLUTION NO. SHRC-_____

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

ON DATE OF

LA VALENTINA: AUTHORIZATION TO EXECUTE AMENDED LOAN COMMITMENT WITH 12TH STREET PARTNERS, L.P. FOR THE DEVELOPMENT OF THE LA VALENTINA PROJECT

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

Section 1. The Executive Director is authorized to amend the budget to transfer up to an additional One Million Dollars (\$1,000,000) in City Housing Trust Fund (City HTF) to the La Valentina Project (Project), for a total of Three Million Seven Hundred Thirty Five Thousand Dollars (\$3,735,000) in City HTF.

Section 2. The Executive Director is authorized to defund One Million Dollars (\$1,000,000) in State Housing Trust Fund (State HTF) from the Project.

Section 3. Subject to approval by the City Council the Loan Commitment, attached to and incorporated in this resolution by this reference, for the financing of La Valentina (Loan Commitment) is approved. As stated in the amended Loan Commitment, the loan amount shall be for a loan amount of \$7,035,000, comprised of \$3,735,000 in City HTF, \$1,000,000 in State HTF, \$1,600,000 in Alkali Flat Tax Increment Funds, and \$700,000 in City Home Investment Partnership Program. Subject to the satisfaction of conditions in the amended Loan Commitment, the Executive Director, or her designee, is authorized to execute and transmit the amended Loan Commitment to 12th Street Partners, L.P. (Developer), provided, however that:

- (a) The Loan shall be made on the terms set out in the Loan Commitment and the staff report accompanying this resolution; and
- (b) Agency Counsel shall prepare the Loan documents on standard agency loan document forms in accordance with the Loan Commitment and the staff report accompanying this resolution, and in accordance with all applicable laws, regulations, and policies regarding the making of the Loan and the use of the allocated funds.

Section 4. The Executive Director, or her designee, is authorized to execute the Loan Commitment, execute other documents, and perform other actions necessary to fulfill the intent of repayment of agency funds, including without limitation, subordination, extensions and restructuring of payments, all as approved by Agency Counsel.

Section 5. The Executive Director, or her designee, is authorized to make technical amendments to said documents with the approval of Agency Counsel, which amendments do not substantially deviate from the standard Agency loan document forms, are in accordance with the Loan Commitment, with Agency policy, with this resolution, with good legal practices of the making of such a loan, and with the staff report that accompanies this resolution.

CHAIR

ATTEST:

CLERK