

RESOLUTION NO. 2010-010

Adopted by the Redevelopment Agency
of the City of Sacramento

March 2, 2010

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.

Table of Contents

Exhibit A – Loan Commitment Letter

Adopted by the Redevelopment Agency of the City of Sacramento on March 2, 2010 by the following vote:

Ayes: Councilmembers Cohn, Fong, Hammond, McCarty, Pannell, Sheedy, Tretheway, Waters, and Mayor Johnson.

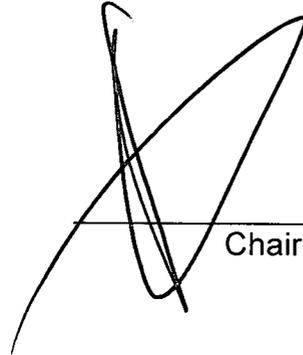
Noes: None.

Abstain: None.

Absent: None.

Attest:


Shirley Concolino, Secretary


Chair Kevin Johnson

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:

Months 205-216	\$ 3,917 monthly
Months 217-228	\$ 3,837 monthly
Months 229-240	\$ 3,718 monthly
Months 241-252	\$ 3,576 monthly
Months 253-264	\$ 3,671 monthly
Months 265-276	\$ 3,564 monthly
Months 277-288	\$ 3,437 monthly
Months 289-300	\$ 3,288 monthly
Months 301-312	\$ 3,116 monthly

Substitution of Loan Funds for the La Valentina Project

Months 313-324	\$ 2,921 monthly
Months 325-336	\$ 2,700 monthly
Months 337-348	\$ 2,452 monthly
Months 349-360	\$ 2,176 monthly
Months 361-372	\$ 1,871 monthly
Months 373-384	\$ 1,535 monthly
Months 385-396	\$ 15,569 monthly
Months 397-408	\$ 15,271 monthly
Months 409-420	\$ 14,939 monthly
Months 421-432	\$ 14,573 monthly
Months 433-444	\$ 14,169 monthly
Months 445-456	\$ 13,726 monthly
Months 457-468	\$ 13,243 monthly
Months 469-479	\$ 12,716 monthly
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.

_____ (Borrower Initial)

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