

RESOLUTION NO. 2011-464

Adopted by the Sacramento City Council

August 9, 2011

KELSEY VILLAGE: APPROVAL OF A LOAN COMMITMENT UP TO \$2,100,000 (COMPRISED OF CITY HOME INVESTMENT PARTNERSHIP PROGRAM FUNDS AND CITY HOUSING TRUST FUNDS); EXECUTION OF COMMITMENT LETTER AND RELATED DOCUMENTS WITH SATELLITE HOUSING, INC., OR RELATED ENTITY; RELATED BUDGET AMENDMENT

BACKGROUND

- A. Satellite Housing, Inc. or related entity (Developer), desires to enter into a Disposition and Development Agreement to acquire land and buildings owned by the Housing Authority of the City of Sacramento (Housing Authority) to develop a 20-unit Kelsey Village Supportive Housing project (Project) at 2380 Stockton Boulevard in the City of Sacramento and within the Oak Park Redevelopment Project Area.
- B. Satellite Housing, Inc., has applied for a seller carry back loan from the Housing Authority in the amount of Two Hundred Ninety Five Thousand Dollars (\$295,000) to finance the acquisition of the Housing Authority property (Property).
- C. Satellite Housing, Inc. has applied for an allocation of up to One Million Six Hundred Thousand Dollars (\$1,600,000) in City Home Investment Partnership Program Funds (HOME) and Five Hundred Thousand Dollars (\$500,000) in City Housing Trust Funds (HTF) to assist in funding the construction and permanent financing of the Project.
- D. The Kelsey Village Apartments project qualifies for HOME and HTF funding under the Sacramento Housing and Redevelopment Agency guidelines.
- E. The project is categorically exempt per California Environmental Quality Act (CEQA) Guidelines Section 15332 as an infill project because the site is not more than five acres, is substantially surrounded by urban uses, the project is consistent with the General Plan and will not result in any significant impacts of traffic, noise, air quality or water quality.
- F. The specific actions herein are exempt under National Environmental Policy Act (NEPA) regulations at 24 CFR Section 58.34(a)(2) and (3), which exempt information and financial services, and administrative and management activities respectively. In accordance with 24 CFR Part 58 Subpart E, environmental review for the Kelsey Village project is currently underway, and will be completed prior to any choice limiting action.

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

- Section 1. The above recitals are found to be true and correct and that the proposed Project is categorically exempt under CEQA Guidelines Section 15332, and exempt under NEPA pursuant to 24 CFR 58.34(a)(2) and (3).
- Section 2. The Loan in the Commitment Letter, attached to and incorporated in this resolution by this reference, for financing the Kelsey Village Apartments project with up to \$1,600,000 in HOME funds and up to \$500,000 in HTF funds for a construction and permanent loan of up to \$2,100,000 is approved and the Sacramento Housing and Redevelopment Agency (Agency) is authorized to execute and transmit the Commitment Letter to Satellite Housing Inc., or related entity.
- Section 3. The Agency is authorized to enter into and execute other documents and perform other actions necessary to fulfill the intent of the Commitment Letter that accompanies this resolution, in accordance with its terms, and to ensure proper repayment of the Agency funds including without limitation, subordination, a United States Department of Housing and Urban Development rider as may be required, extensions, and restructuring of such a loan.

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Exhibit A: Commitment Letter

Adopted by the City of Sacramento City Council on August 9, 2011 by the following vote:

Ayes: Councilmembers Ashby, Cohn, D Fong, R Fong, McCarty, Pannell, Schenirer, Sheedy, and Mayor Johnson.

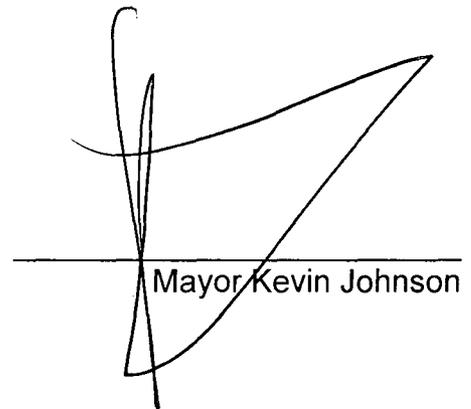
Noes: None.

Abstain: None.

Absent: None.

Attest:


Shirley Concolino, City Clerk


Mayor Kevin Johnson

Date: August 9, 2011

Ryan Chao
Executive Director
Satellite Housing, Inc.
1521 University Avenue, Berkeley, CA 94703

RE: Conditional funding commitment, Kelsey Village project

Dear Mr. Chao:

On behalf of the Sacramento Housing and Redevelopment Agency ("Agency"), we are pleased to advise you of its commitment of construction and permanent loan funds ("Loan") from the City Home Investment Partnership Program (HOME) funds and City Housing Trust Fund (HTF) for the purpose of financing the construction and permanent financing of that certain real property located at 2830 Stockton Boulevard, 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.

The Loan shall be made on standard Agency loan documents. No material loan terms not in this funding commitment and the attached loan document forms shall be included in the final loan documents without additional environmental review and governing board approval with the exception of changes the Agency is authorized to make in accordance with the City Council and Housing Authority resolutions approved on August 9, 2011. 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 April 30, 2012.

1. PROJECT DESCRIPTION: The project includes the acquisition of land (Property) from the Housing Authority of the City of Sacramento (Housing Authority) and the new construction of an apartment complex consisting of 20 units of affordable housing of which 10 units will be supported by a U.S. Department of Housing and Urban Development (HUD) Section 811 contract at 2830 Stockton Boulevard, Sacramento, CA. Agency acknowledges the intent of the Housing Authority to enter into a Disposition and

Development Agreement for the subject property together with a seller carry back loan agreement with Satellite Housing, Inc, or related entity (Borrower).

2. BORROWER: The name of the Borrower for the Loan is Satellite Housing, Inc. or related entity.
3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely to pay the costs of predevelopment, construction and 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 sources for the Loan.
4. PRINCIPAL AMOUNT, TERM OF LOAN, and INTEREST RATE: The principal amount of the Loan will be the lesser of (a) Two Million One Hundred Thousand Dollars (\$2,100,000), 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 (90%) of the appraised value as determined by the Agency. The loan will bear interest of 1% annually (interest shall be calculated on the basis of a 365-day year and actual days elapsed) and the term of the loan will be 504 months from the Effective Date of the loan. The principal and the accrued interest will be due and payable on the loan maturity date.
5. SOURCE OF LOAN FUNDS: The Construction Loan will be funded with the following sources of funds and is subject to all requirements related to the use of such, whether Agency requirements or otherwise: City HTF and City HOME funds, and proceeds from the sale of Agency-owned land. City HOME funds shall assist 11 or fewer units, and therefore the provisions of the Davis-Bacon Act (40 U.S.C. 276a-5) requiring the payment of not less than the wages prevailing in the locality for projects including 12 or more units assisted with HOME funds shall not apply. The HOME units at the project shall be "floating" such that the number of HOME units of an affordability level and bedroom type remains the same, but the actual designated unit may change from time to time. The Agency hereby acknowledges, agrees and represents that the Loan shall be a below market interest rate loan for purposes of Labor Code Section 1720(c)(6)(E), and that such Loan shall not trigger prevailing wage. 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, all as mutually agreed to by Agency and Borrower.

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. 3701-3708); (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.

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6. 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.
7. SECURITY: The Loan shall be evidenced by promissory note 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 subject only to liens senior to Agency’s lien and such other items as the Agency may approve in writing. The Loan may also be secured by additional security agreements. The Agency agrees to subordinate said deed of trust to the Section 811 Capital Advance upon Agency’s review and approval of the Section 811 Capital Advance documents in order to accommodate completion of the construction of the Property.
8. LEASE AND RENTAL SCHEDULE: Upon request, Agency shall have the right to review all leases of the Property and Improvements prior to execution. Borrower shall not deviate from the rental schedule presented in the staff report accompanying approval of this Loan Commitment Letter for the Loan without Agency's prior written approval; provided, however, that such approval shall not be required for annual adjustments to rental rates as permitted by the California Tax Credit Allocation Committee.
9. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of a minimum of \$1,800,000 in Low Income Housing Tax Credit equity.
10. 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 to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:
 - (1) 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.

Permanent financing in the form of a HUD 811 capital advance of not less than \$1,300,000.

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

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

11. 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 (which may be evidenced by delivery to the Agency of a tax credit reservation letter for the project and an executed copy of the Partnership Agreement at close of Escrow); 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. The Lender shall be a federal or state chartered financial institution, a pension fund, an insurance company or such other lender which Agency may approve in writing in advance.
12. LOAN IN BALANCE: Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders and equity investors and net operating income 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" after the applicable cure period, the Agency may declare the Loan to be in default.
13. PLANS AND SPECIFICATION: 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 funds. As provided in the DDA, Borrower must obtain Agency's prior written consent to any material change in the approved plans and specifications or any material deviation in construction of the project.
14. 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.

15. 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.
16. RETENTION AMOUNT: The Agency shall retain ten percent (10%) as retention from each construction related disbursement, not to exceed a total of ten percent (10%) of the total amount of the Loan.
17. COST BREAKDOWN: Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, which breakdown conforms to the project plans and specification and the budget approved with this commitment. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements and the associated bid values received for each item of work to be performed.

All contracts and contractors 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 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.

18. COST SAVINGS: At completion of construction, Borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which shall indicate the amounts actually spent for each item in the cost breakdown. If there is an aggregate savings 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, provided that the HUD 811 capital advance funds secured are not negatively impacted. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency Loan based upon this cost certification and the original approved budget for the project.
19. 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 30 days following the close of construction financing.

20. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than 18 months following the close of construction financing.
21. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance, or in lieu such insurance, Builder's Risk completed value insurance, in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000.00).
22. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain commercial general 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: (1) Commercial General Liability insurance in Insurance Services Office ("ISO") policy form CG 00 01 Commercial General Liability (Occurrence) or better with limits of liability, which are not less than \$1,000,000, per occurrence limit; \$5,000,000 general aggregate limit, and \$5,000,000 products and completed operations aggregate limit, all per location of the Project; (2) Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single limit and \$1,000,000 aggregate; (3) Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$1,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate; and (4) 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.
23. TITLE INSURANCE: Borrower must procure and deliver to Agency a 2006 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.
24. 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.

25. FINANCIAL INFORMATION: During the term of the Loan, Borrower shall deliver to Agency within 120 days of the end of each fiscal year the following items with respect to Borrower: an audited income and expense statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. Upon Agency request, 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.
26. 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.
27. HUD SECTION 811 CAPITAL ADVANCE: Borrower represents that as a condition of closing this Loan it is applying for a capital advance under the HUD Section 811 Program and will diligently pursue the award in connection with this Property as indicated in the financial information provided in Borrower's application.
28. 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.
29. SECURITY AND LIGHTING: Project shall include a security camera system approved by the Agency and lighting adequate to properly illuminate all common spaces. In addition, project will include security patrol if necessary.
30. 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) confirmation the services will be provided according to the Agency's minimum requirements as specified in the Multifamily Lending and Mortgage Revenue Bond Policies; 3) a description of the programs to be offered; and 4) a pro-forma social services budget.

31. 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 and Borrower in all respects. Borrower must promptly deliver to Agency any further documentation that may be required by Agency.
32. 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.
33. 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.
34. 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,

Sacramento Housing and Redevelopment Agency

La Shelle Dozier, Executive Director

Dated: _____

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

BORROWER:

Satellite Housing, Inc.
a California nonprofit public benefit corporation

By: _____
Ryan Chao, President

Dated: _____

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Noes: None.

Abstain: None.

Absent: None.

Mayor Kevin Johnson

Attest:

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6. 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.
7. SECURITY: The Loan shall be evidenced by promissory note 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 subject only to liens senior to Agency's lien and such other items as the Agency may approve in writing. The Loan may also be secured by additional security agreements. The Agency agrees to subordinate said deed of trust to the Section 811 Capital Advance upon Agency's review and approval of the Section 811 Capital Advance documents in order to accommodate completion of the construction of the Property.
8. LEASE AND RENTAL SCHEDULE: Upon request, Agency shall have the right to review all leases of the Property and Improvements prior to execution. Borrower shall not deviate from the rental schedule presented in the staff report accompanying approval of this Loan Commitment Letter for the Loan without Agency's prior written approval; provided, however, that such approval shall not be required for annual adjustments to rental rates as permitted by the California Tax Credit Allocation Committee.
9. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of a minimum of \$1,800,000 in Low Income Housing Tax Credit equity.
10. 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 to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:
 - (1) 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.

Permanent financing in the form of a HUD 811 capital advance of not less than \$1,300,000.

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

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

11. 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 (which may be evidenced by delivery to the Agency of a tax credit reservation letter for the project and an executed copy of the Partnership Agreement at close of Escrow); 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. The Lender shall be a federal or state chartered financial institution, a pension fund, an insurance company or such other lender which Agency may approve in writing in advance.
12. LOAN IN BALANCE: Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders and equity investors and net operating income 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" after the applicable cure period, the Agency may declare the Loan to be in default.
13. PLANS AND SPECIFICATION: 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 funds. As provided in the DDA, Borrower must obtain Agency's prior written consent to any material change in the approved plans and specifications or any material deviation in construction of the project.
14. 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.

15. 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.
16. RETENTION AMOUNT: The Agency shall retain ten percent (10%) as retention from each construction related disbursement, not to exceed a total of ten percent (10%) of the total amount of the Loan.
17. COST BREAKDOWN: Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, which breakdown conforms to the project plans and specification and the budget approved with this commitment. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements and the associated bid values received for each item of work to be performed.

All contracts and contractors 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 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.

18. COST SAVINGS: At completion of construction, Borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which shall indicate the amounts actually spent for each item in the cost breakdown. If there is an aggregate savings 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, provided that the HUD 811 capital advance funds secured are not negatively impacted. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency Loan based upon this cost certification and the original approved budget for the project.
19. 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 30 days following the close of construction financing.

20. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than 18 months following the close of construction financing.
21. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance, or in lieu such insurance, Builder's Risk completed value insurance, in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000.00).
22. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain commercial general 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: (1) Commercial General Liability insurance in Insurance Services Office ("ISO") policy form CG 00 01 Commercial General Liability (Occurrence) or better with limits of liability, which are not less than \$1,000,000, per occurrence limit; \$5,000,000 general aggregate limit, and \$5,000,000 products and completed operations aggregate limit, all per location of the Project; (2) Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single limit and \$1,000,000 aggregate; (3) Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$1,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate; and (4) 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.
23. TITLE INSURANCE: Borrower must procure and deliver to Agency a 2006 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.
24. 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.

25. FINANCIAL INFORMATION: During the term of the Loan, Borrower shall deliver to Agency within 120 days of the end of each fiscal year the following items with respect to Borrower: an audited income and expense statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. Upon Agency request, 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.
26. 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.
27. HUD SECTION 811 CAPITAL ADVANCE: Borrower represents that as a condition of closing this Loan it is applying for a capital advance under the HUD Section 811 Program and will diligently pursue the award in connection with this Property as indicated in the financial information provided in Borrower's application.
28. 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.
29. SECURITY AND LIGHTING: Project shall include a security camera system approved by the Agency and lighting adequate to properly illuminate all common spaces. In addition, project will include security patrol if necessary.
30. 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) confirmation the services will be provided according to the Agency's minimum requirements as specified in the Multifamily Lending and Mortgage Revenue Bond Policies; 3) a description of the programs to be offered; and 4) a pro-forma social services budget.

31. 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 and Borrower in all respects. Borrower must promptly deliver to Agency any further documentation that may be required by Agency.
32. 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.
33. 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.
34. 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,

Sacramento Housing and Redevelopment Agency

La Shelle Dozier, Executive Director

Dated: _____

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

BORROWER:

Satellite Housing, Inc.
a California nonprofit public benefit corporation

By: _____
Ryan Chao, President

Dated: _____