



**REPORT TO COUNCIL AND
HOUSING AUTHORITY AS
SUCCESSOR HOUSING AGENCY**

City of Sacramento

915 I Street, Sacramento, CA 95814-2671

www.CityofSacramento.org

**Public Hearing
March 20, 2012**

**Honorable Mayor and Members of the City Council
Honorable Chair and Members of the Housing Authority Board**

Title: Approval of Agency Loan Commitment, Budget Amendment, Restructuring of Existing Loan, Conversion Certificate and Replacement Housing Plan for the Proposed Ridgeway Studios Project

Location/Council District: 912-914 12th Street; Council District 1

Recommendation: Conduct a public hearing pursuant to City Code § 18.20.100 and upon conclusion adopt: 1) a **Council Resolution** a) approving funding for an Agency loan to the project of up to \$1,200,000 comprised of \$1,130,880 in City Home Investment Partnership (HOME) Funds and \$69,120 in proceeds from a relocation payment made by Ridgeway SRO Investors, L.P. to Sacramento Housing and Redevelopment Agency (Agency) pursuant to Residential Hotel Ordinance 2006-056, b) authorizing the Agency to execute a commitment letter with Ridgeway SRO Investors, L.P., or related entity; 2) a **Council Resolution** a) approving the Ridgeway Hotel Conversion Certificate; and b) approving the Replacement Housing Plan for the Ridgeway Hotel; and 3) a **Housing Authority (as Successor Housing Agency) Resolution** a) approving the assumption and restructuring of existing Low-Moderate Tax Increment loan in the amount of approximately \$300,000 plus accrued interest to Ridgeway SRO Investors, L.P.

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

Presenters: Katherine Klein McFadden, Management Analyst, Development Finance

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: The Ridgeway Hotel, built in 1912, is a four-story single room occupancy (SRO) residential hotel located at 912-914 12th Street. The property's residential units have been vacant and boarded since 2007. The building was rehabilitated

Approval of Agency Financing, Conversion Certificate and Replacement Housing Plan for Ridgeway Studios

25 years ago and needs substantial renovation. The proposed project will rehabilitate and convert 58 existing SRO rooms with shared baths into 22 affordable studio units with a full kitchen and bathroom. Proposed residential amenities include community space, laundry room, and secure parking for bicycles/scooters. A location map and site map are provided as Attachments 1 and 2 respectively.

The project is proposed to be funded with nine percent Low Income Housing Tax Credit (LIHTC) equity, a new Agency loan, an assumption of existing Agency and State of California Housing and Community Development (HCD) debt, and a deferred developer fee during the construction period. The 22 units will be affordable to individuals earning 30 to 60 percent or less of the Area Median Income (AMI). The LIHTC and Agency loan affordability restrictions would continue in effect for the remainder of their 55-year term.

Staff is recommending approval of a \$1,200,000 Agency loan and assignment and restructure of existing \$300,000 Agency debt plus accrued interest for the rehabilitation and permanent financing of the Ridgeway Studios.

The Ridgeway Hotel is subject to a Residential Hotel Ordinance which includes a No Net Loss Policy to maintain 712 units. The Ordinance requires owners to notify the Agency if they plan to withdraw, convert or demolish units. The City Council has the authority to approve and issue a Conversion Certificate if they deem the applicant has complied with the requirements of the Ordinance and comparable replacement units have been located.

The Ridgeway Hotel Owner has submitted a Conversion Certificate application to Agency staff for the 36 units requested to be withdrawn from service. Staff is recommending approval of the Conversion Certificate and the Replacement Housing Plan allowing the 150-unit 7th and H project to serve as the source of the replacement units.

Further background on the project, developer and the property is included as Attachment 3. A project summary, including a proposed sources and uses of funds, is included as Attachment 4. A project cash flow pro-forma and a schedule of maximum rents are included as Attachments 5 and 6.

Policy Considerations: This report recommends the approval of a Conversion Certificate and Replacement Housing Plan consistent with the City's Residential Hotel Ordinance.

The recommended lending actions are consistent with the Agency's previously approved multifamily lending and mortgage revenue bond policies with one exception regarding one of the management partners. Staff recommends the development entity include Ali Youssefi, as Co-General Partner. Although he does not meet the ownership qualification and experience requirements outlined

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in the Agency's policies, the Egis Group, Inc. the other Co-General Partner does meet the requirement.

Regulatory restrictions on the property will be specified in a regulatory agreement between the Developer and the Agency for a period of 55 years. Compliance with the regulatory agreement will be monitored by the Agency on a regular basis.

Environmental Considerations:

California Environmental Quality Act (CEQA): The proposed action is categorically exempt under California Environmental Quality Act (CEQA) Guidelines Section 15301 which exempts actions on existing facilities, including rehabilitation and financing, where the use remains unchanged. The proposed action is also categorically exempt under CEQA, Section 15331, which exempts Historical Restoration/Rehabilitation actions.

Sustainability Considerations: The Ridgeway Studios 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 as follows: (1) Goal number one – Energy Independence, specifically by reducing the use of fossil fuels, improving energy efficiency, and providing long term affordable and reliable energy; (2) Goal number three – Air Quality, specifically by reducing the number of commute trips by single occupancy vehicles and reducing vehicle miles traveled; and (3) Goal number five – Public Health and Nutrition, specifically by maximizing the number of amenities that are located within ½ mile of all residents.

Other: 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 Ridgeway Studios Project is currently underway, and will be completed prior to any choice limiting action.

Committee/Commission Action: At its meeting on March 7, 2012, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this project. The votes were as follows:

AYES: Alcalay, Chan, Fowler, Gore, LeDuc, Morgan, Morton, Rosa, Stivers

NOES: none

ABSENT: Johnson, Shah

March 20, 2012

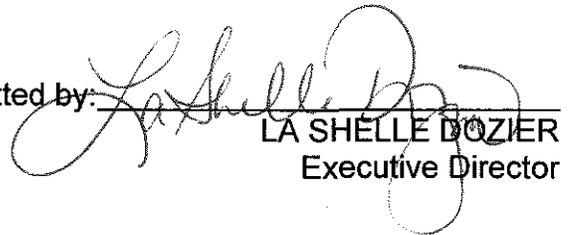
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Rationale for Recommendation: The recommendations in this report will allow the reconfiguration and modernization of the Ridgeway Hotel into 22 affordable SRO studio units with improved residential amenities, upgrades to the building's major systems for increased energy efficiency and safety, and will contribute to the continued revitalization of downtown Sacramento. Additionally, the approval of this project furthers the Agency's mission to provide a range of affordable housing opportunities in the City.

Financial Considerations: This report recommends Agency financing of a \$1,200,000 loan comprised of \$1,130,880 in City HOME funds and \$69,120 of proceeds from the Residential Hotel Ordinance Relocation Assistance Fund for rehabilitation and permanent financing of the Ridgeway Studios. The Agency will receive an annual payment for monitoring the regulatory restrictions and administration of the loan in the amount of 0.15 percent of the loan amount for the term of the set-aside requirements. A loan commitment letter is included as Exhibit A of Attachment 7.

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

Respectfully Submitted by:


LA SHELLE DOZIER
Executive Director

Approved as to form:


Agency Counsel

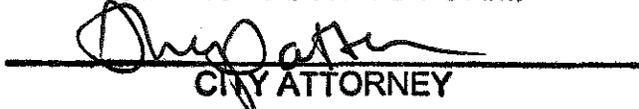
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APPROVED AS TO FORM:

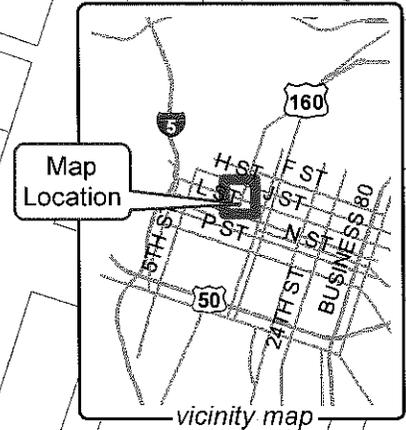
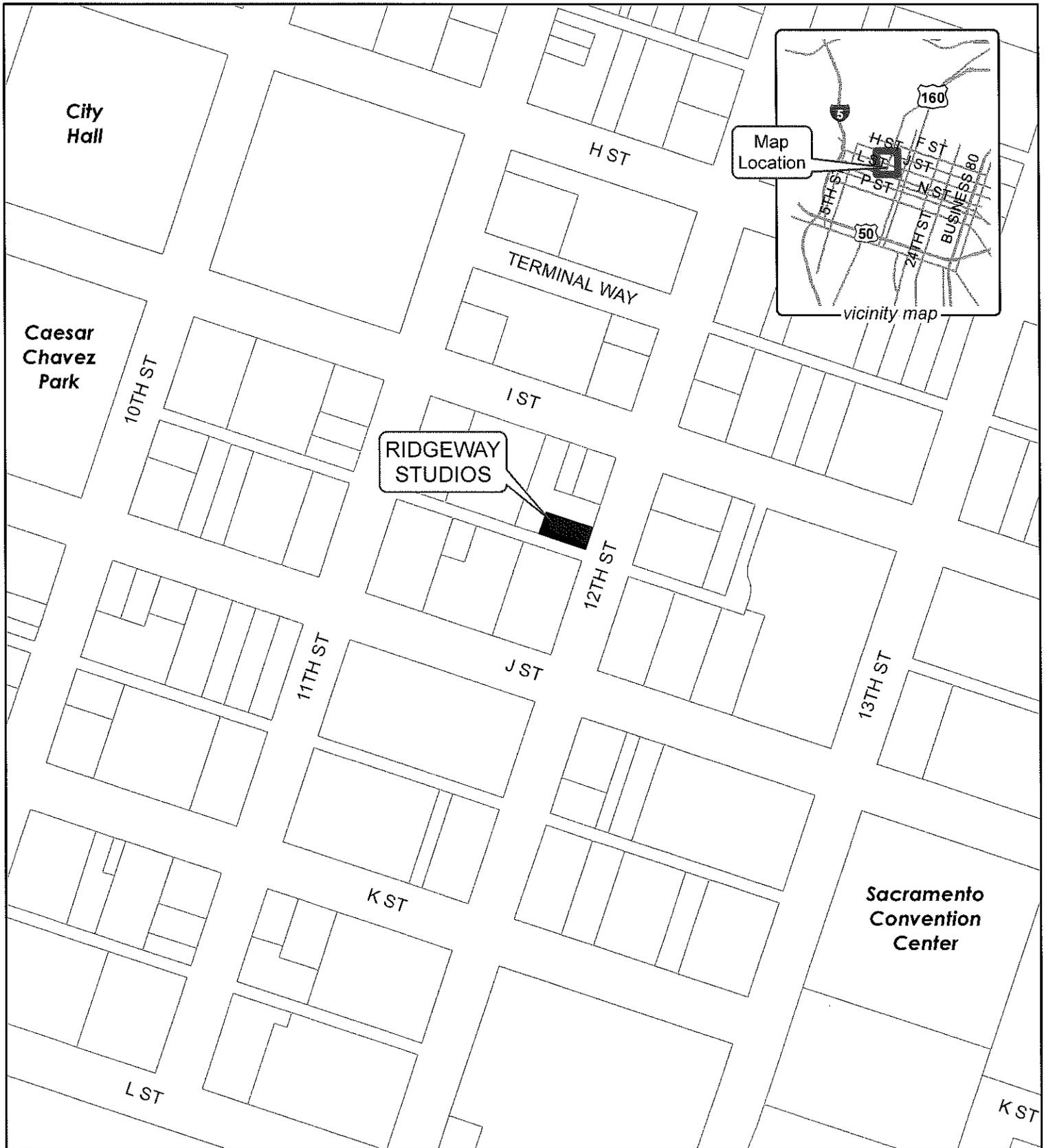

CITY ATTORNEY

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for Ridgeway Studios

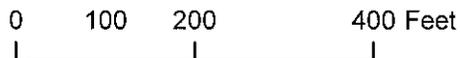
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Ridgeway Studios



Ridgeway Studios Parcel



SHRA GIS
February 16, 2012

Ridgeway Studios Background Information

Description of Development: The Ridgeway Hotel is a 4-story single room occupancy (SRO) residential hotel located at 912-914 12th Street, Sacramento CA. The building was constructed in 1912 and needs substantial renovation since it was rehabilitated 25 years ago in 1987. The property has been vacant and boarded since 2007 with the exception of one ground floor commercial tenant. The proposed project will convert 58 SRO rooms into 22 affordable studio units and is subject to the City's SRO preservation ordinance. Amenities will include community space, laundry room, secure parking for bicycles/scooters, tenant storage and resident services. The property is adjacent to light rail, bus lines and within walking distance of many amenities including restaurants, services, shops and parks.

The proposed rehabilitation budget of approximately \$6.9 million will facilitate necessary repairs to bring the property up to market standards while preserving the unique historical nature of the building. The improvements will increase accessibility and life safety standards. All unit interiors will be renovated and upgraded with new fixtures and finishes including a full bathroom and kitchen facility. Exterior improvements include stucco repair, new paint, energy efficient windows, new roof, security cameras, and improved lighting.

Ridgeway SRO Investors, L.P. (Developer) is requesting a \$1.2 million Agency loan to help finance the project. The Developer is also requesting a Residential Hotel Conversion Certificate for the 36 units that are proposed to be withdrawn from operation.

History of the Residential Hotel Ordinance

Over 25 years ago the City adopted an ordinance providing relocation benefits to tenants of residential hotels or SROs displaced by the conversion or demolition of an SRO (City Code 18.20). In May 2005 the City Council approved a resolution calling for rehabilitation of existing residential hotels in the downtown and a strategy for creation of new units for very low income tenants. In March 2006 the City Council adopted a resolution to create a SRO preservation ordinance by modifying Municipal Code Section 18.20. The ordinance requires noticing, relocation payments, and a Conversion Certificate application evidencing that the requirements have been met. The Agency's role in the conversion process is to ensure that the ordinance is adhered to and aid in the provision of replacement housing if units are lost, but the Agency has no authority to stop a conversion from taking place.

The Ridgeway owner submitted a Notice for Withdrawal in February 2011 and a Conversion Certificate application in February 2012. It has been determined the owner is subject to a Relocation Assistance Fund Payment required under the ordinance for the 36 units proposed to be withdrawn. The Agency has developed a Replacement Housing Plan for the 36 withdrawn units.

Developer: The project will be developed by Ridgeway SRO Investors, L.P. is a joint venture partnership formed between Egis Group, Inc, and Ali Youssefi Co-Developers and Co-General Partners). The combined experience of the Developer is more than 26 affordable housing developments throughout California including acquisition rehabilitation and new construction and mixed-use properties. John Cicerone, the President and Owner of the Egis Group, Inc., has been developing affordable housing for over ten years with two LIHTC tax projects currently under construction totaling 210 units. Ali Youssefi is a Principal with CFY Development, Inc. (CFY) with direct experience developing 10 affordable housing developments. Currently, Mr. Youssefi in his capacity of Principal of CFY is working on the development of the 700 K Street Block project.

Property Management: CFY Development, Inc currently has a management portfolio with over 25 projects throughout over 20 municipalities in California. CFY is also active in Sacramento and manages two projects in Sacramento including Auburn Senior Apartments (78 units) and Globe Mills (143 units). Agency staff has reviewed the management plan, including daily operations, leasing procedures, maintenance, and eviction procedures, and has found that the proposed management company meets the Agency's requirements for property management.

Residential Services Plan: Resident services are to be provided by Life Skills Training and Educational Programs, Inc. (LifeSTEPS) whose mission is to strengthen families and communities through programs with a focus on life skills training, education and supportive services that meet the needs of the residents. LifeSTEPS is an experienced social service provider since 1996 and is already working at several affordable projects in Sacramento. LifeSTEPS has submitted a resident services plan for Agency approval detailing the scope and schedule of services to be provided. A minimum of 10 hours per week of resident services will be provided on-site to the residents at no charge.

Project Financing: The project is proposed to be funded with approximately \$3,927,000 in nine percent Low Income Housing Tax Credit (LIHTC) equity, a \$1,200,000 new Sacramento Housing and Redevelopment Agency (Agency) loan, an assumption of \$300,000 existing Agency debt plus accrued interest and existing \$1,332,000 State of California Housing and Community Development (HCD) loan, and a deferred developer fee during the construction period.

Additionally, this report recommends restructuring the existing Agency loan on the project to ensure the continued financial viability of the development. The Low/Moderate Tax Increment loan was originated in 1987 and an outstanding balance of \$300,000 plus accrued interest which can never be repaid from project cash flow because of the restricted rents on the project. Staff recommends this loan be due at maturity, and the maturity date extended to match the maturity date of the Agency's new \$1,200,000 loan.

Redevelopment Successor

As of February 1, 2012, all Redevelopment Agencies (RDAs) were dissolved and their assets, properties, contracts, leases, and ongoing functions were transferred to successor agencies. The City designated the Housing Authority of the City of Sacramento (PHA) as the local authority to retain the housing assets and functions previously performed by the RDA. The assumption and restructuring of the original Ridgeway debt requires PHA approval because its original funding source was Low/Moderate Tax Increment.

Low-income Set-aside Requirements: The tax credits, Agency loan, and assumed Agency debt together will require the 22 units to be affordable to individuals earning 30 to 60 percent or less of the Area Median Income (AMI). The project will be layered with affordability requirements required by the various public funding sources. These sources and their affordability requirements are summarized in the following table.

Funding	Affordability Restrictions	No. Units Covered	Regulatory Term
LIHTC, Existing Agency and HCD Loans	Extremely Low-Income (30% AMI)	3	55 years
LIHTC, Existing Agency and HCD Loans, New Agency Loan	Very Low-Income (40% AMI)	18	55 years
LIHTC	Low-Income (60% AMI)	1	55 Years

Ridgeway Studios Project Summary

<u>Address</u>	912-914 12th Street		
<u>Number of Units</u>	22		
<u>Year Built</u>	1912		
<u>Acreage</u>	.073 acres		
<u>Affordability</u>	3 units at or below 30% of Area Median Income (AMI) 18 units at or below 40% of AMI 1 Manager's Units at or below 60% AMI		
<u>Unit Mix and Rents</u>	(30% AMI)	(40% AMI)	(60% AMI)
SRO Studio	3	18	1
<u>Square Footage</u>	<i>Residential & Building</i>	<i>Common Area</i>	<i>Total</i>
Total	10,373	2907	13,280
<u>Resident Facilities</u>	The Ridgeway Hotel is a 4-story SRO residential hotel built in 1912. The project will rehabilitate and convert 58 SRO rooms with a shared bath into 22 affordable studio units with a kitchen and full bath. Amenities will include community space, laundry room, secure parking for bicycles/scooters and resident services.		
<u>Estimated Sources</u>	<i>Total</i>	<i>Per Unit</i>	<i>Per SF</i>
Tax Credit Equity	\$ 3,927,000	\$ 178,500	\$ 296
Existing HCD Loan	\$ 1,332,000	\$ 60,545	\$ 100
Existing SHRA Loan	\$ 518,150	\$ 23,552	\$ 39
New SHRA Loan	\$ 1,200,000	\$ 54,545	\$ 90
TOTAL SOURCES	\$ 6,977,150	\$ 317,143	\$ 525
<u>Estimated Uses</u>	<i>Total</i>	<i>Per Unit</i>	<i>Per SF</i>
Acquisition	2,234,150	\$ 101,552	\$ 168
Construction	2,126,702	\$ 96,668	\$ 160
Building Permits	150,000	\$ 6,818	\$ 11
Architecture, Engineering, Survey	218,000	\$ 9,909	\$ 16
Construction Contingency	176,026	\$ 8,001	\$ 13
Financing Costs	149,000	\$ 6,773	\$ 11
Operating Reserve	675,000	\$ 30,682	\$ 51
Developer Fee	524,973	\$ 23,862	\$ 40
Third Party Reports, Marketing, Other	723,298	\$ 32,877	\$ 54
TOTAL USES	\$ 6,977,150	\$ 317,143	\$ 525
<u>Management / Operations</u>			
Property Management Company:	CFY Development Inc.		
Operations Budget:	\$118,970 per year	\$5,408 per unit	
Replacement Reserves:	\$6,600 per year	\$300 per unit	



Ridgeway Studios
Project Cash Flow Proforma

Unit Type	Number	Apprx Square Feet	Total Sq Feet	Gross Rent	Utility Allowance	Net Rent	Rent per Sq Foot	Total Mo. Rent	Annual Rent
Studio @ 30% AMI	3	385	1,155	\$ 399	\$ 56	\$ 343	\$ 0.89	\$ 1,029	\$ 12,348
Studio @ 40% AMI	18	385	6,930	\$ 533	\$ 56	\$ 477	\$ 1.24	\$ 8,586	\$ 103,032
Studio Manager's Unit @ 60% AMI	1	385	385	\$ -	\$ -	\$ -	-	\$ -	\$ -
Totals	22		8,470					\$ 9,615	\$ 115,380

	rate	annual increase	per unit	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 10	Year 15
<u>Income</u>											
Potential Gross Income		2.50%		115,380	118,265	121,221	124,252	127,358	130,542	144,094	163,029
Other Income		2.50%		1,584	1,624	1,664	1,706	1,748	1,792	1,978	2,238
Less Vacancy	10.00%			11,538	11,826	12,122	12,425	12,736	13,054	14,409	16,303
Effective Gross Income				\$105,426	\$108,062	\$110,763	\$113,532	\$116,371	\$119,280	\$131,663	\$148,964
<u>Operating Expenses</u>											
Operating Expenses		3.50%	4,091	90,000	93,150	96,410	99,785	103,277	106,892	122,661	145,683
Assessments		2.00%	106	2,330	2,377	2,424	2,473	2,522	2,573	2,785	3,074
Property Management		3.50%	420	9,240	9,563	9,898	10,245	10,603	10,974	12,593	14,957
Social Services		3.00%	791	17,400	17,922	18,460	19,013	19,584	20,171	22,703	26,319
Replacement Reserves			300	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600
Total Expenses			5,708	\$125,570	\$129,612	\$133,792	\$138,115	\$142,586	\$147,210	\$167,342	\$196,633
Net Operating Income				(\$20,144)	(\$21,550)	(\$23,029)	(\$24,583)	(\$26,216)	(\$27,930)	(\$35,679)	(\$47,669)

<u>Debt Service</u>	amount	rate	amort								
HCD Senior Loan	\$1,332,000	3.00%	30	0	0	0	0	0	0	0	0

<u>Other Operating Expenses</u>											
SHRA Annual Monitoring Fee	\$1,200,000	0.15%		1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Other Operating Expenses Subtotal				1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800

<u>Priority Distributions</u>											
Asset Management Fee (GP)		2.00%		6,600	6,732	6,867	7,004	7,144	7,287	7,888	8,709
Partnership Management Fee (LP)		3.00%		5,000	5,150	5,305	5,464	5,628	5,796	6,524	7,563
Priority Distributions Subtotal				11,600	11,882	12,171	12,468	12,772	13,083	14,411	16,272

<u>SHRA New Loan</u>											
Principal Balance	\$1,200,000	1.00%		1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Interest for Period				12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Accumulated Interest				12,000	24,000	36,000	48,000	60,000	72,000	120,000	180,000
Payment				0	0	0	0	0	0	0	0
Balance				\$1,212,000	\$1,224,000	\$1,236,000	\$1,248,000	\$1,260,000	\$1,272,000	\$1,320,000	\$1,380,000

Net Operating Loss				(\$33,544)	(\$35,232)	(\$37,000)	(\$38,851)	(\$40,787)	(\$42,813)	(\$51,890)	(\$65,740)
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<u>Capitalized Operating Reserve</u>											
Balance Operating Deficit Reserve	\$675,000	0.8800%		675,000	647,396	617,861	586,298	552,607	516,682	348,399	73,224
Interest Earned				5,940	5,697	5,437	5,159	4,863	4,547	3,066	644
Withdrawal from Operating Deficit Reserve				(33,544)	(35,232)	(37,000)	(38,851)	(40,787)	(42,813)	(51,890)	(65,740)
Accumulated Balance of Reserve				647,396	617,861	586,298	552,607	516,682	478,416	299,574	8,128



MAXIMUM RENT AND INCOME LEVELS 2012
(Rents @ 30%, 40%, and 60% of AMI where applicable)

Maximum Income Limits:			
Family Size	30% AMI Max Income	40% AMI Max Income	60% AMI Max Income
1 person	\$15,990	\$21,320	\$31,980
2 person	\$18,270	\$24,360	\$36,540

Maximum Rent Limits:			
9% Low-Income Housing Tax Credit Program and HOME Program			
Unit Size	Gross Rent 30% AMI	Gross Rent 40% AMI	Gross Rent 60% AMI
Studio/SRO	\$399	\$533	\$799



Approval of Agency Financing, Conversion Certificate and Replacement Housing Plan for Ridgeway Studios

RESOLUTION NO. 2012 –

Adopted by the Sacramento City Council

on the date of

RIDGEWAY STUDIOS: APPROVAL OF UP TO \$1,200,000 AGENCY LOAN COMMITMENT; EXECUTION OF LOAN COMMITMENT AND RELATED DOCUMENTS WITH RIDGEWAY SRO INVESTORS, L.P. OR RELATED ENTITY; AND RELATED BUDGET AMENDMENT

BACKGROUND

- A. Ridgeway SRO Investors, L.P. (“Developer”) has applied for an Agency Loan of One Million Two Hundred Thousand Dollars (\$1,200,000) comprised of \$1,130,880 in City Home Investment Partnership Program Funds (HOME) and \$69,120 in Residential Hotel Relocation Assistance Payment Funds to assist in funding the construction and permanent financing of the 22-unit Ridgeway Studios Project.
- B. The Ridgeway Studios Project qualifies for HOME funding under the Sacramento Housing and Redevelopment Agency guidelines.
- C. The proposed action is categorically exempt under California Environmental Quality Act (CEQA) Guidelines Section 15301 which exempts actions on existing facilities, including rehabilitation and financing, where the use remains unchanged. The proposed action is also categorically exempt under CEQA, Section 15331, which exempts Historical Restoration/Rehabilitation actions.
- D. 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 Ridgeway Studios 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 the proposed Project is categorically exempt under CEQA Guidelines Sections 15301

Approval of Agency Financing, Conversion Certificate and Replacement Housing Plan for Ridgeway Studios

and 15331. NEPA is currently underway, and will be completed prior to any choice limiting action.

Section 2. The Loan Commitment attached to and incorporated in this resolution by this reference for the financing of the Ridgeway Studios Project (“Loan Commitment”) is approved and the Sacramento Housing and Redevelopment Agency (“SHRA”) is authorized to execute the Loan Commitment and related documents and transmit to Ridgeway SRO Investors, L.P. or related entity. SHRA will return to the City Council for approval of loan documents.

Section 3. SHRA is authorized to amend the Agency budget to transfer One Million One Hundred Thirty Thousand Eight Hundred Eighty Dollars (\$1,130,880) from City Home Investment Partnership Program (HOME) funds and Sixty Nine Thousand One Hundred Twenty Dollars (\$69,120) of Residential Hotel Relocation Assistance Payment Funds to the Ridgeway Studios Project.

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Exhibit A - Commitment Letter

March 20, 2012

Approval of Agency Financing, Conversion Certificate and Replacement Housing Plan for Ridgeway Studios

EXHIBIT A

March 7, 2012

Mr. John Cicerone, Egis Group, Inc.
Mr. Ali Youssefi
c/o Ridgeway SRO Investors, L.P.
1006 Fourth Street, Suite 701
Sacramento, CA 95814

RE: Conditional Funding Commitment, Ridgeway Studios

Dear Mr. Cicerone and Mr. Youssefi,

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") of \$1,200,000 comprised of \$1,130,880 in City Home Investment Partnership Program ("HOME") funds and \$69,120 in proceeds from a relocation payment made by the Developer to SHRA pursuant to Residential Hotel Ordinance 2006-056; and to assign the existing Agency debt in the amount of \$300,000 plus accrued interest of \$218,150 (Assigned Loan) for the purpose of financing the development of that certain real property located at 912-914 12th 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.

The Loan shall be made on standard Agency loan documents. No material loan terms not in this funding commitment 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 resolution approved on March 20, 2012. 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.

Approval of Agency Financing, Conversion Certificate and Replacement Housing Plan for Ridgeway Studios

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, 2012.

1. PROJECT DESCRIPTION: The project is the acquisition, rehabilitation, and reconfiguration of existing property at 912-914 12th Street in Sacramento County. At least 3 units will be affordable to individuals earning less than 30 percent of the area median income (AMI), at least 18 units will be affordable to individuals earning less than 40 percent of AMI, with the exception of one manager unit which will be affordable to individuals earning less than 60 percent of the AMI.
2. BORROWER: The name of the Borrower for the Loan is Ridgeway SRO Investors, L.P. or related entity.
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) One Million Two Hundred Thousand Dollars (\$1,200,000), 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 42 years from the date of the first disbursement.
6. INTEREST RATE: The Loan shall bear simple interest at One Percent (1%) per annum. Interest shall be calculated on the basis of a 365-day year and actual days elapsed.
8. LOAN REPAYMENT: All outstanding principal and interest is due and payable on the maturity date.
9. SOURCE OF LOAN FUNDS: Agency is making the Loan of \$1,200,000 comprised of \$1,130,880 in City HOME funds and \$69,120 in Residential Hotel Relocation Assistance Payment Funds, and the Loan is subject to all requirements related to the use of such, whether Agency requirements or otherwise. 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

Approval of Agency Financing, Conversion Certificate and Replacement Housing Plan for Ridgeway Studios

of more units assisted with HOME funds shall not apply. The HOME units at the project shall float. 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)

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.
13. 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;

Approval of Agency Financing, Conversion Certificate and Replacement Housing Plan for Ridgeway Studios

provided, however, that such approval shall not be required for annual adjustments to rental rates as permitted by the California Tax Credit Allocation Committee.

14. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$3,927,000 in Low Income Housing Tax Credit Equity and no less than \$1,332,000 in State of California Housing and Community Development (HCD) Loan.
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.
 - (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

Approval of Agency Financing, Conversion Certificate and Replacement Housing Plan for Ridgeway Studios

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 disbursement 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 for construction related expenses, not to exceed a total of ten percent (10%) of the total amount of the Loan.
22. COST BREAKDOWN: Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, which breakdown conforms to the project plans and specification and the budget approved with this commitment. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

All contracts, subcontracts, contractors, and subcontractors shall be subject to Agency's approval prior to close of the Loan.

Agency 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.

Approval of Agency Financing, Conversion Certificate and Replacement Housing Plan for Ridgeway Studios

23. COST SAVINGS: At completion of construction, borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the projected final sources of funding. If there is an aggregate savings, net of any increases or decreases in sources of funding, 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.
24. 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 60 days following the close of construction financing.
25. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than 24 months following the close of construction financing.
26. 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).
27. 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

Approval of Agency Financing, Conversion Certificate and Replacement Housing Plan for Ridgeway Studios

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.

28. 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 Deed 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.
29. 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.
30. ACQUISITION OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's acquisition of the Property.
31. FINANCIAL INFORMATION: During the term of the Loan, Borrower shall deliver to Agency within 120 days of the end of each fiscal year an audited income and expense statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. During the term of the Loan, Borrower must deliver to Agency a monthly rent-roll including household composition information, and operating statements with respect to the Property and Improvements, as Agency may request.
32. 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.

Approval of Agency Financing, Conversion Certificate and Replacement Housing Plan for Ridgeway Studios

33. 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.
34. 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.
35. RESIDENT SERVICES PLAN: Borrower shall provide Agency with a detailed resident services plan including, but not limited to, the following information: 1) identification of all entities responsible for providing resident 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 10 hours per week, including adult educational activities and service coordination; 3) a description of the programs to be offered, and; 4) a proforma resident services budget.
36. 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.
37. 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.
38. 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.
39. ASSIGNMENT OF EXISTING DEBT: The Agency will assign the existing \$518,150 (principal and accrued interest) of Agency debt to the Borrower. The Agency has the right to extend the term of this loan to be consistent with the 42 year term of the new \$1,200,000 Agency Loan.
40. QUALIFIED CENSUS TRACT: In the event that the California Tax Credit Allocation Committee (TCAC) determines the project is not in a Qualified Census Tract (QCT) in the March 2012 funding round, the Agency will support, subject to City Council approval an increase in the loan amount to cover the funding gap created by the loss of the QCT designation.

March 20, 2012

Approval of Agency Financing, Conversion Certificate and Replacement Housing Plan
for Ridgeway Studios

41. EXTENSION OF COMMITMENT TERM: In the event the project is not successful in receiving an allocation of 9% LIHTCs in the first round of 2012, the Agency has sole discretion to modify and or extend the expiration of the commitment letter to a date no later April 30, 2014. If such an extension is granted, the Agency has the sole discretion to limit its commitment to a project receiving credit only from the SRO set-aside

42. 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:

March 20, 2012

Approval of Agency Financing, Conversion Certificate and Replacement Housing Plan
for Ridgeway Studios

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

BORROWER:
Ridgeway SRO Investors, L.P.

By: _____
John Cicerone, Egis Group, Inc.
Co-General Partner

Dated:

By: _____
Ali Youssefi
Co-General Partner

Dated:



Approval of Agency Financing, Conversion Certificate and Replacement Housing Plan for Ridgeway Studios

RESOLUTION NO. 2012 -

Adopted by the Sacramento City Council

On date of

APPROVAL OF RIDGEWAY HOTEL CONVERSION CERTIFICATE AND REPLACEMENT HOUSING PLAN

BACKGROUND

- A. The Ridgeway Hotel located at 912-914 12th Street has been vacant since 2007 and in need of substantial renovation.
- B. The owners of the Ridgeway Hotel have submitted an application for residential hotel conversion to Agency staff to convert 36 of the 58 residential hotel units.
- C. Payment to the Residential Hotel Ordinance Relocation Assistance Fund will apply for the 36 converted units.
- D. The Ridgeway Hotel conversion will result in the loss of thirty six (36) Single Room Occupancy (SRO) residential hotel units from the downtown housing stock.
- E. 22 units at the Ridgeway Hotel will remain subject to City Ordinance 2006-056.
- F. The proposed Ridgeway Studios project requires an award of nine percent Low Income Housing Tax Credits in order to proceed with the proposed renovation and reconfiguration of the hotel from 58 SRO rooms to 22 affordable studio units.
- G. Per City Ordinance 2006-056, a hearing was held before the Sacramento City Council on March 20, 2012 and was duly noticed per the requirements of the ordinance.

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

- Section 1. The City Council approves of the Conversion Certificate for the Ridgeway Hotel, located at 912-914 12th Street.
- Section 2. The Conversion Certificate and Payment to Relocation Assistance Fund is conditioned upon the Project receiving an award of nine percent Low Income Housing Tax Credits.

Approval of Agency Financing, Conversion Certificate and Replacement Housing Plan for Ridgeway Studios

Section 3. The City Council approves of the Replacement Housing Plan which will create replacement housing at 7th and H for the units lost as a result of the conversion of 36-units at the Ridgeway Hotel.

Table of Contents:

Exhibit A – Replacement Housing Plan

Approval of Agency Financing, Conversion Certificate and Replacement Housing Plan for Ridgeway Studios

EXHIBIT A

**REPLACEMENT HOUSING PLAN FOR
LOW-INCOME DWELLING UNITS**

**RIDGEWAY HOTEL
912-914 12th STREET**

Description of Property

The subject property is located at 912-914 12th Street in City Council District 1 on the west side 12th Street between I Street and J Street. This property consists of residential hotel single room occupancy (SRO) units located above ground floor retail space. The owner of the Ridgeway proposes to rehabilitate the existing 58 SRO room hotel into 22 affordable SRO studio units with a full kitchen and bath. Please refer to Attachment 1 for a map of the project site.

Based on an analysis of replacement housing requirements as outlined in Municipal Code 18.20.160, discussed more fully below, the Agency is required to replace housing units that are used as long term housing. The Agency is currently working on development and financing of the 7th and H property, which will serve as the replacement housing for the Ridgeway units which will be lost due to conversion.

Project Status

The Ridgeway Hotel is currently vacant and units are not being leased. The owner has requested a conversion certificate for 36 units which will allow the reconfigured from 58 SRO rooms to 22 affordable SRO studios which will remain subject to the Residential Hotel Ordinance.

Replacement Housing Needs

City Ordinance

The Ridgeway Hotel is subject to Municipal Code 18.20 governing downtown residential hotels, which requires a replacement housing plan under section 18.20.160. According to the code, residential hotel SRO units may be replaced within three (3) years of the date of the approval of the conversion certificate by the construction of new housing, rehabilitation of non-regulated property, or acquisition or purchase of covenants of existing non-regulated housing. Replacement units must have average rents not to exceed forty percent (40%) of the Sacramento metropolitan area median income (AMI). If an entire project

Approval of Agency Financing, Conversion Certificate and Replacement Housing Plan for Ridgeway Studios

consists of comparable units, all units whose rents are regulated at or below fifty percent (50%) AMI may count as replacement units so long as the average rents of those units do not exceed 40% AMI. Furthermore, the replacement units must be located in close proximity to transportation and services and have an affordability covenant of no less than fifty-five (55) years.

The Sacramento Housing and Redevelopment Agency has identified the following units at the subject properties that must be replaced within the required three-year time period: thirty-six (36) SRO units which will be restricted to 40% AMI and have rents not to exceed 40% AMI.

Replacement Dwelling Units

The Agency will replace the required units at the 7th and H property.

The property will include between 150 mixed one-bedroom and studio units, with one-third to one-half of the units for special needs households that will require case management. These Permanent Supportive Housing (PSH) units would serve a range of formerly homeless and at-risk populations. The project would be developed in accordance with the City's Single Room Occupancy (SRO) Strategy, and thus the target population is primarily single individuals working in low wage jobs (up to 50% AMI) in the central city, and people living on social security and disability income.

The building will feature a variety of amenities, including community gathering rooms on each floor, two separate third floor roof gardens, retail space on the ground floor, a clinic on the second floor, and structured parking on the first and second floors.

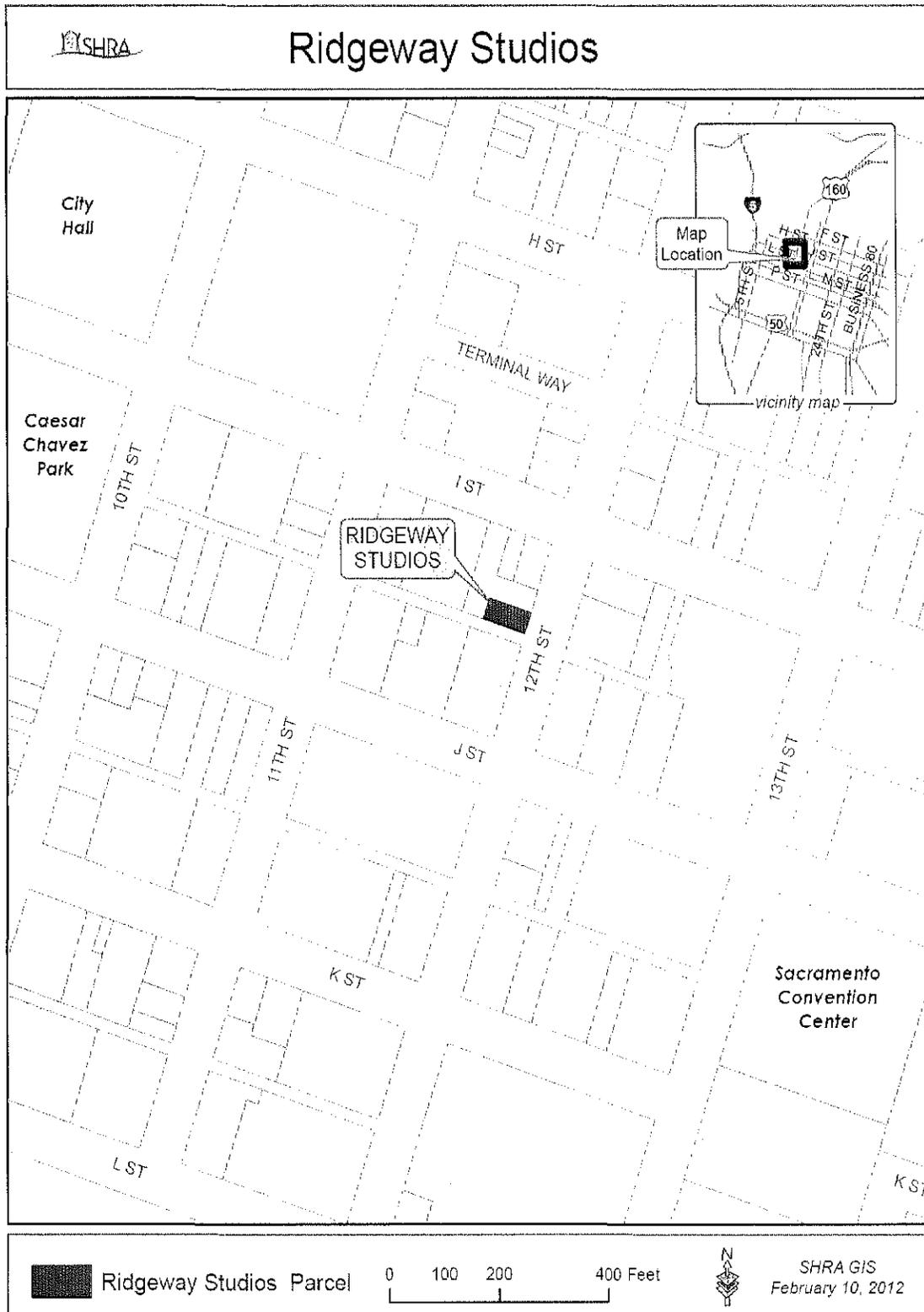
The Agency will replace the 36 SRO units lost at 912-914 12th Street with units at the 7th & H property with thirty six (36) SRO units at 40% AMI (low income).

Article XXXIV

The City of Sacramento is currently in compliance with its requirements under the California Constitution, Article XXXIV. The project being used as replacement housing for the units located at 912-914 12th Street in Sacramento, CA is within the current allocation and does not require a vote of the public.

Approval of Agency Financing, Conversion Certificate and Replacement Housing Plan for Ridgeway Studios

ATTACHMENT 1





Approval of Agency Financing, Conversion Certificate and Replacement Housing Plan for Ridgeway Studios

RESOLUTION NO. 2012 –

**Adopted by the Housing Authority of the City of Sacramento
Acting As the Successor Housing Agency to the Redevelopment
Agency of the City of Sacramento**

on date of

**RIDGEWAY STUDIOS: APPROVAL OF THE RESTRUCTURING OF OUTSTANDING
AGENCY LOAN AND ASSUMPTION OF OBLIGATIONS BY RIDGEWAY SRO
INVESTORS, L.P. OR RELATED ENTITY**

BACKGROUND

- A. Ridgeway SRO Investors, L.P. (“Developer”) has applied for an Agency Loan of One Million Two Hundred Thousand Dollars (\$1,200,000) comprised of \$1,130,880 in City Home Investment Partnership Program Funds (HOME) and \$69,120 in proceeds from a relocation payment made by the Developer to SHRA pursuant to Residential Hotel Ordinance 2006-056 to assist in funding the construction and permanent financing of the 22-unit Ridgeway Studios Project.
- B. The Project currently has a Low/Moderate Tax Increment Agency loan outstanding. The principle balance of the loan is \$300,000 plus \$218,150 of accrued interest.
- C. The original Agency signatory for the outstanding Agency loan was the Redevelopment Agency of the City of Sacramento.
- D. In 2011 the California Legislature enacted AB 1X 26 which law, coupled with a subsequent decision of the State Supreme Court, resulted in the dissolution of redevelopment agencies as of February 1, 2012, and the transfer of all assets, properties, contracts and leases of the former redevelopment agencies to successor agencies, and requiring successor agencies to carry out the winding down of the redevelopment agencies.
- E. The City of Sacramento previously established the Redevelopment Agency of the City of Sacramento, a body corporate and politic (“Redevelopment Agency” or RDA) in order to carry out plans for the improvement, rehabilitation, and redevelopment of blighted areas within the City.
- F. On January 31, 2012, the City designated the Housing Authority of the City of Sacramento (PHA) as the local authority to retain the housing assets and functions previously performed by the RDA.

Approval of Agency Financing, Conversion Certificate and Replacement Housing Plan for Ridgeway Studios

- G. On January 31, 2010 the PHA affirmatively elected pursuant to Health and Safety Code Section 34176 that it will serve as the "Successor Housing Agency" to the former Redevelopment Agency of City of Sacramento (RDA) and authorizes the Executive Director to take actions necessary to comply with the designation in a manner that is consistent with federal and state law.
- H. The existing project loan due to its Low/Moderate fund origin is a housing asset.
- I. The proposed action is categorically exempt under California Environmental Quality Act (CEQA) Guidelines Section 15301 which exempts actions on existing facilities, including rehabilitation and financing, where the use remains unchanged. The proposed action is also categorically exempt under CEQA, Section 15331, which exempts Historical Restoration/Rehabilitation actions.
- J. 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 Ridgeway Studios Project is currently underway, and will be completed prior to any choice limiting action.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO ACTING AS SUCCESSOR HOUSING AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

- Section 1. The above recitals are found to be true and correct and the proposed Project is categorically exempt under CEQA Guidelines Section 15301 and 15331. NEPA is currently underway, and will be completed prior to any choice limiting action.
- Section 2. The restructuring of outstanding Agency loan and related documents in the amount of \$300,000 principal, plus \$218,150 of accrued interest to extend the maturity date and allow the assumption of the obligation by, Ridgeway SRO Investors, L.P., in order to ensure the continued viability of the development is approved. The loan may be subordinated if such subordination is required to obtain primary financing.