



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2671

www.CityofSacramento.org

Staff Report

June 11, 2013

Honorable Mayor and Members of the City Council

Title: Approval of Home Investment Partnership Program (HOME) Loan for Glen Ellen Estates Apartments

Location/Council District: 2380-2398 Glen Ellen Circle; Council District 5

Issue: Glen Ellen Estates is an existing 35-unit affordable housing complex in need of rehabilitation. The property owner has requested a loan to fund a portion of the rehabilitation.

Recommendation: Adopt a **Council Resolution** a) approving the Loan Commitment for the financing of the Glen Ellen Estates project and authorizing the Agency to execute the Loan Commitment and related documents and transmit to Mutual Housing California or related entity, b) amending the Agency budget to transfer Five Hundred Thousand Dollars (\$500,000) from Multifamily Rehabilitation to the Glen Ellen Estates project, c) authorizing the Agency to execute the Loan Agreement consistent with the Loan Commitment, execute other documents, and perform other actions necessary to fulfill the intent of repayment of funds, including without limitation, subordination, extensions and restructuring of payments, all in a form as approved by Agency counsel, and d) making related findings.

Contact: Christine Weichert, Assistant Director, Development Finance, 440-1353; Joel Riphagen, Housing Finance Analyst, Development Finance, 449-6247

Presenters: Joel Riphagen, Housing Finance Analyst, Development Finance

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: Glen Ellen Estates is located on 1.2 acres at 2380-2398 Glen Ellen Circle in the City of Sacramento, next to Executive Airport. Built in the early 1970s, Glen Ellen was Mutual Housing California's (Developer) first development project. It is near transit, shopping, and schools. Several minor rehabilitations of the property have occurred over its lifetime, including some Agency-funded work

Approval of HOME Loan for Glen Ellen Estates

in 1991. The property consists of 35 two-bedroom units, including one manager's unit, in nine four-plex buildings. Amenities include a playground, community room, laundry facilities, and a rental office. The site has very poor drainage. The property's owner, Mutual Housing California (Developer), proposes to rehabilitate the site, including new roofing, solar thermal water heating, flooring, interior fixtures and appliances, as well as improved drainage, accessibility, landscaping, lighting, and a new playground. Staff is recommending approval of a \$500,000 Agency loan for the rehabilitation and permanent financing of Glen Ellen Estates. The property has an existing Agency loan of \$311,281 of Community Development Block Grant funds. Staff will seek approval from the appropriate governing body at a later date to allow the assignment of this loan to the Developer. A location map is included as Attachment 1 and a site map is included as Attachment 2.

The project is proposed to be financed in combination with two other properties owned by the Developer, located in the unincorporated County. The other two properties are Greenway Village and Los Robles Apartments, both located in the South Sacramento area. The three projects' funding would include a bond issuance by the Housing Authority of the County of Sacramento, four percent Low Income Housing Tax Credit (LIHTC) equity, the new City HOME loan of \$500,000, an additional County HOME loan of \$5,800,000, assumption of existing debt on all three properties, developer loan, and net operating income during construction. A total of 169 units in the three properties will be rehabilitated. The 35 Glen Ellen units will be affordable to households earning 50 to 60 percent of Area Median Income (AMI). Affordability restrictions will be in effect for 55 years.

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 for Glen Ellen Estates, is included as Attachment 4. A project cash flow pro-forma for the three projects combined is included as Attachment 5, and a schedule of maximum rents is included as Attachment 6.

Policy Considerations: The recommended actions are generally consistent with the Agency's previously approved multifamily lending and mortgage revenue bond policies. In lieu of a deferred developer fee, the Developer will be loaning funds into the project. The term of the new HOME loan will be 55 years, and no interest will accrue.

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.

Economic Impacts: This residential rehabilitation project is expected to create 29.8 total jobs (16.9 direct jobs and 12.9 jobs through indirect and induced activities) and create \$4,005,958 in total economic output (\$2,441,881 of direct output and another \$1,564,077 of output through indirect and induced activities).

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The indicated economic impacts are estimates calculated using a calculation tool developed by the Center for Strategic Economic Research (CSER). CSER utilized the IMPLAN input-output model (2009 coefficients) to quantify the economic impacts of a hypothetical \$1 million of spending in various construction categories within the City of Sacramento in an average one-year period. Actual impacts could differ significantly from the estimates and neither the City of Sacramento nor CSER shall be held responsible for consequences resulting from such differences.

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.

Sustainability Considerations: The Glen Ellen Estates 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 Goal number one – Energy Independence, specifically by reducing the use of fossil fuels, improving energy efficiency, and providing long term affordable and reliable energy.

Other: The project consists of the rehabilitation of a multifamily residential complex in which the unit density will not be changed by more than 20 percent and the estimated cost of rehabilitation is less than 75 percent of the cost of replacement after rehabilitation; therefore, the proposed action is categorically excluded under the National Environmental Policy Act (NEPA) pursuant to 24 CFR Section 58.35(a)(3)(ii).

Commission Action: At its meeting of May 15, 2013, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES: Alcalay, Chan, Gore, Griffin, LeDuc, Morgan, Morton, Rosa, Shah,
Stivers

NOES: none

ABSENT: Johnson

Rationale for Recommendation: The actions recommended in this report enable SHRA to continue to fulfill its mission to provide a range of affordable housing opportunities in the City.

Financial Considerations: This report recommends Agency financing of a \$500,000 loan comprised of City HOME funds for rehabilitation and permanent financing of Glen Ellen Estates. The Housing Authority of the County will be collecting a bond issuance fee and an annual fee equal to 0.15 percent of the bond issuance amount, consistent with the Agency's multifamily lending guidelines. A loan commitment letter is included as Exhibit A of Attachment 7.

Approval of HOME Loan for Glen Ellen Estates

M/WBE and Section 3 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. Section 3 requirements will be applied to the extent applicable.

Respectfully Submitted by:

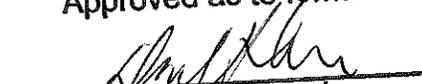


LA SHELLE DOZIER
Executive Director

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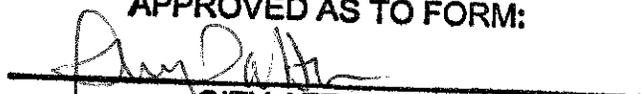
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Approved as to form:



Agency Counsel

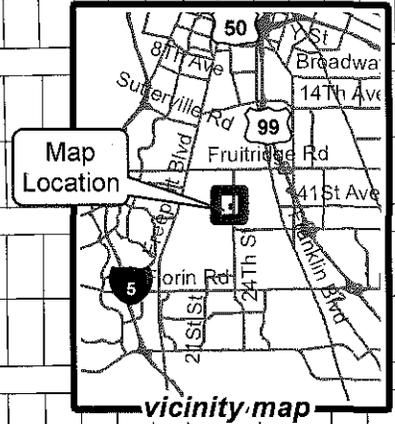
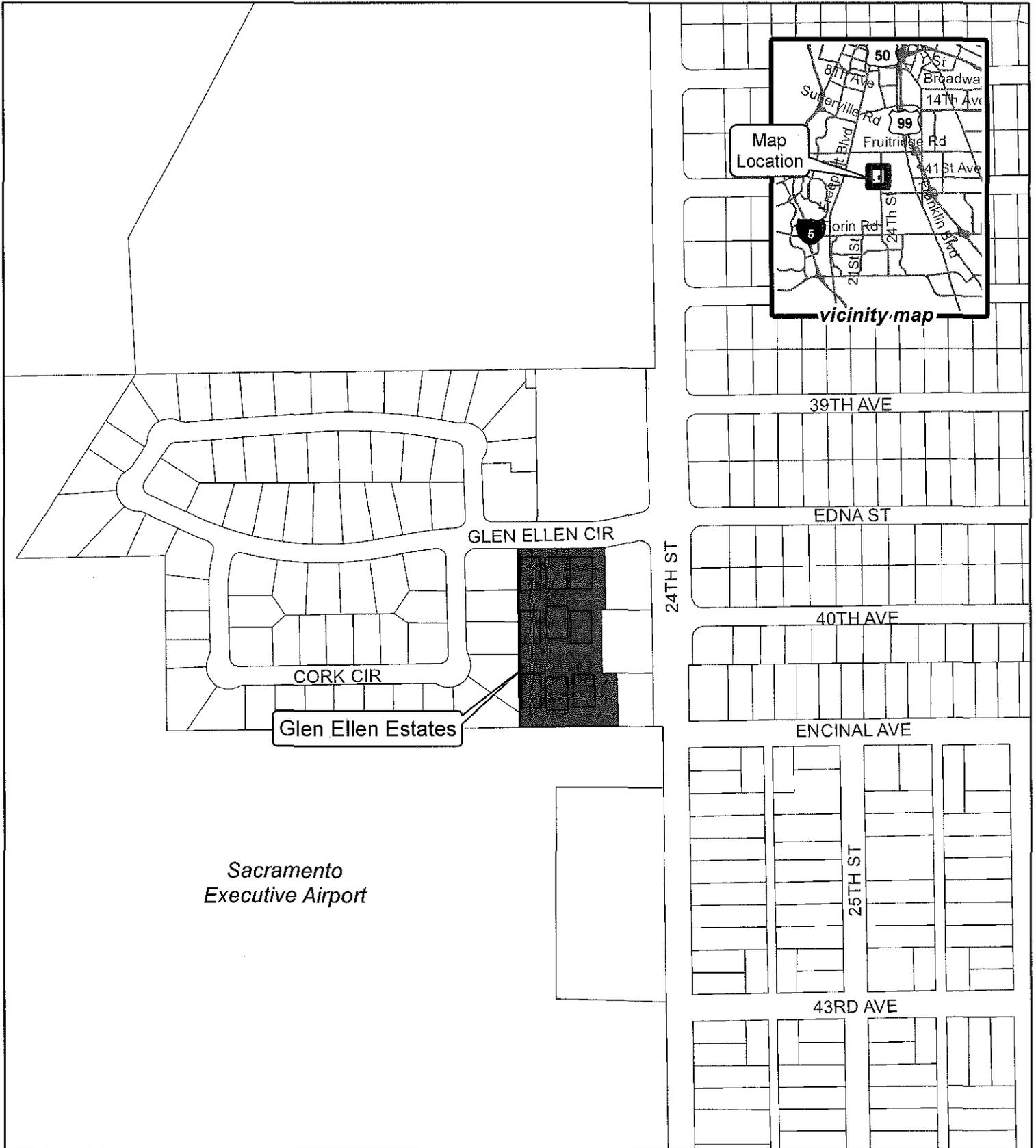
APPROVED AS TO FORM:



CITY ATTORNEY



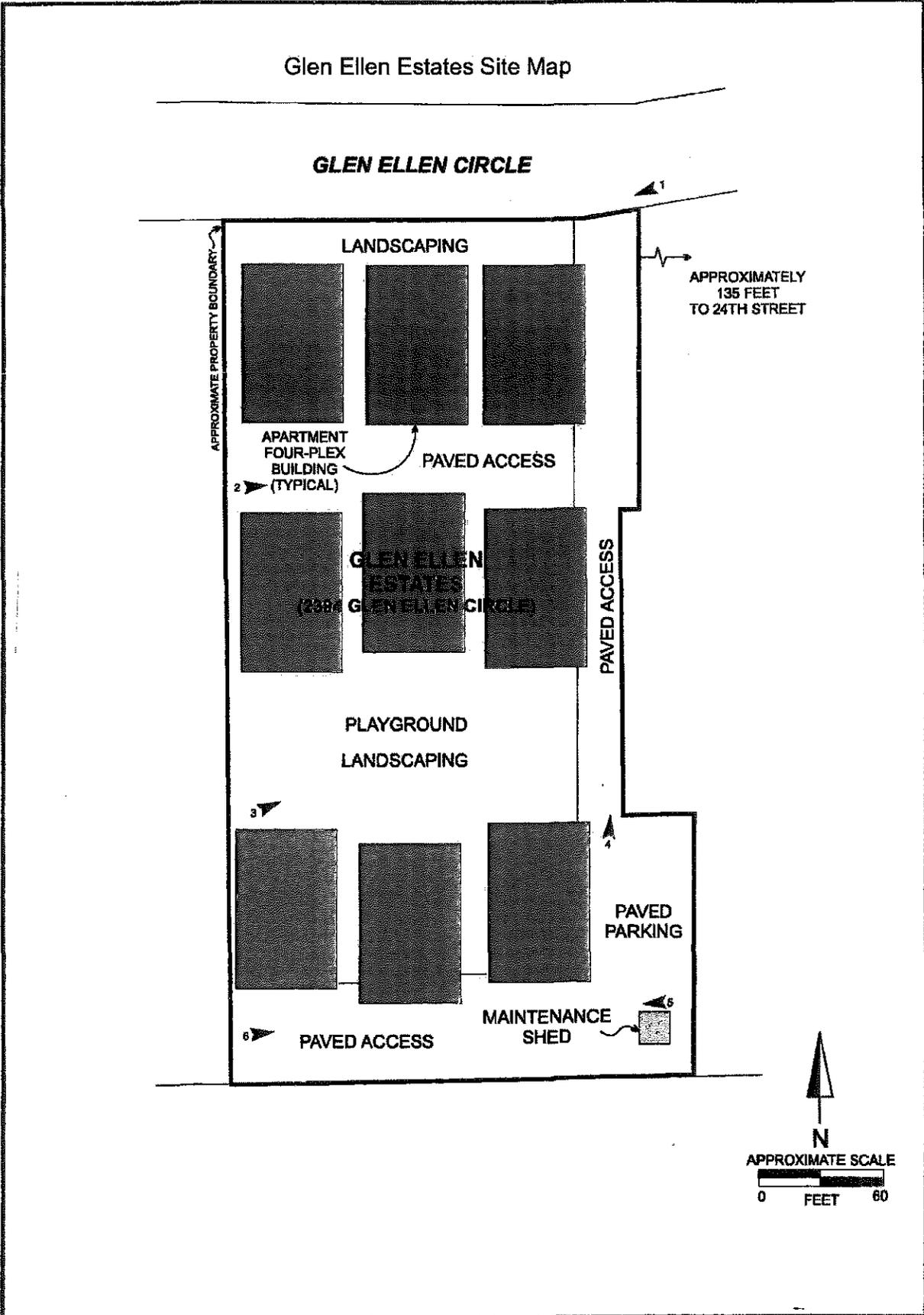
Glen Ellen Estates Location Map



Glen Ellen Estate Parcel



SHRA GIS
April 24, 2013



Glen Ellen Estates Background Information

Description of Development: Glen Ellen Estates (Project) is an existing regulated affordable housing development located on 1.2 acres at 2380-2398 Glen Ellen Circle in the City of Sacramento, next to Executive Airport. It was built in the early 1970s and is near transit, shopping, and schools. Glen Ellen consists of 35 two-bedroom units in 9 fourplex buildings. One unit is a manager's unit. Amenities include a playground, community room, laundry facilities, and a rental office. The buildings are wood frame construction on concrete slabs with stucco and decorative stone veneer siding. Heating and cooling are provided by a split-system HVAC system. Hot water is provided by one hot water heater per building. All apartments have a working fireplace. The site is in fair to poor condition, with very poor drainage.

Exterior work will include new roofs and exterior doors. Interior work will include new flooring, paint, appliances, cabinets, countertops, sinks, bathtubs, toilets, and lighting, as well as new HVAC and water piping. Site work will include new storm drainage, partial walkway replacement and accessibility upgrades, asphalt repair, landscaping, lighting, and a new playground.

This staff report requests a \$500,000 Agency loan to help finance the project. The project will be rehabilitated in conjunction with two properties located in the unincorporated County—Greenway Village and Los Robles Apartments—and project financing will be combined with a bond issuance and loan from Sacramento County.

Location and site maps are included as Attachments 1 and 2 respectively. A project summary, including a proposed sources and uses of funds for Glen Ellen Estates, is included as Attachment 4. A project cash flow proforma for the three projects combined and a schedule of maximum rents and incomes for the project are included as Attachments 5 and 6.

Developer: The Project developer is Mutual Housing California (MHC), an experienced owner and manager of affordable rental housing projects. MHC owns and operates approximately 650 affordable homes in 11 mutual housing communities, and houses more than 2,150 low income residents. Incorporated in 1988, MHC was formed as a partnership of neighborhood residents, business representatives, housing advocates, and local government dedicated to improving housing opportunities for lower income families. Mutual housing is designed to offer a permanent solution to the housing needs of low-income residents with residents taking a key role in the management and maintenance of their homes and developing a vested interest in the success of their community. MHC is the owner of a number of projects in the Sacramento area, including Mutual Housing at Lemon Hill, Victory Townhomes and Evergreen Estates, River Garden Estates, Norwood Avenue Apartments, and Norwood Estates.

Property Management: The Project will be managed by a property management company with staff experienced in operating affordable apartment communities. Agency staff will review the management plan, including daily operations, leasing procedures, maintenance, and eviction procedures, to ensure the company meets the Agency's requirements for property management.

Resident Services: Services will be provided to the residents primarily by MHC. The service provider will be required to provide 10 hours of services per week at Glen Ellen Estates. Programs will be tailored to the needs of the residents. Examples of services include after-school programs, computer training, and English as a Second Language classes.

Project Financing: The Project is proposed to be funded in combination with two other properties owned by the Developer, located in the unincorporated County. The other two properties are Greenway Village and Los Robles Apartments, both located in the South Sacramento area. The project funding would include a bond issuance by the Housing Authority of the County of Sacramento, four percent Low Income Housing Tax Credit (LIHTC) equity, the new Agency loan of \$500,000 and an additional County loan of \$5,800,000, assumption of existing debt on all three properties, developer loan, and net operating income during construction.

Low-Income Set-Aside Requirements: The tax credits, Agency loan, bond issuance, and assumed debt will require that all units be affordable to households earning 50 to 60 percent of Area Median Income (AMI). The project will be layered with affordability requirements required by the various funding sources. These sources and their affordability requirements are summarized in the following table.

Funding	Affordability Restrictions	No. Units Covered	Regulatory Term
LIHTC, Bonds, New Agency Loan, Existing Agency Loan	Very Low-Income (50% AMI)	7	55 years
LIHTC, New Agency Loan, Existing Agency Loan	Low-Income (60% AMI)	28	55 Years

Maximum rent and income limits can be found in Attachment 6. The project's affordability restrictions will be specified in regulatory agreements with the Developer.

Glen Ellen Estates Project Summary

Address	2380-2398 Glen Ellen Circle		
Number of Units	35		
Year Built	Early 1970s		
Acreage	1.84 acres		
Affordability	7 units at or below 50% of Area Median Income (AMI) 27 units at or below 60% of AMI 1 unregulated Manager's Unit		
Unit Mix and Rents	(50% AMI)	(60% AMI)	Unregulated
2 Bedroom	7	27	1
Square Footage	<i>Per Unit</i>		<i>Total</i>
2 Bedroom	893		31,248
Leasing/Community/Laundry			900
Total			32,148
Resident Facilities	Community room with kitchen, computer lab, playground, laundry facilities and rental office.		
Estimated Sources	<i>Total</i>	<i>Per Unit</i>	<i>Per SF</i>
Tax Credit Equity	\$ 3,719,767	\$ 106,279	\$ 115.71
New SHRA Loan	\$ 500,000	\$ 14,286	\$ 15.55
Existing SHRA Loan	\$ 311,281	\$ 8,894	\$ 9.68
Existing HCD Loan	\$ 294,216	\$ 8,406	\$ 9.15
Seller Carryback Loan	\$ 831,094	\$ 23,746	\$ 25.85
Developer Loan	\$ 283,243	\$ 8,093	\$ 8.81
Existing Project Reserves	\$ 85,200	\$ 2,434	\$ 2.65
Utility Rebates	\$ 41,420	\$ 1,183	\$ 1.29
Net Operating Income During Rehab	\$ 8,668	\$ 248	\$ 0.27
TOTAL SOURCES	\$ 6,074,889	\$ 173,568	\$ 188.97
Estimated Uses	<i>Total</i>	<i>Per Unit</i>	<i>Per SF</i>
Acquisition	\$ 1,910,000	\$ 54,571	\$ 59.41
Construction	\$ 2,653,024	\$ 75,801	\$ 82.53
Building Permits	\$ 25,200	\$ 720	\$ 0.78
Architecture, Engineering, Survey	\$ 68,891	\$ 1,968	\$ 2.14
Contingency	\$ 295,302	\$ 8,437	\$ 9.19
Financing Costs	\$ 226,165	\$ 6,462	\$ 7.04
Legal Fees	\$ 19,847	\$ 567	\$ 0.62
Reserves	\$ 150,501	\$ 4,300	\$ 4.68
Relocation	\$ 17,000	\$ 486	\$ 0.53
Developer Fee	\$ 616,379	\$ 17,611	\$ 19.17
Third Party Reports, Marketing, Other	\$ 92,580	\$ 2,645	\$ 2.88
TOTAL USES	\$ 6,074,889	\$ 173,568	\$ 188.97
Management / Operations	Property Management Company: Jon Berkley Management or other company approved later Resident Services Provider: Mutual Housing California Operations Budget: \$187,250 per year \$5,350 per unit Resident Services Budget: \$16,660 per year \$476 per unit Replacement Reserves: \$21,000 per year \$600 per unit		

Unit Type	Number	Square Feet (avg)	Total Sq Feet	Maximum Gross Rent	Utility Allowance	Maximum Net Rent	Actual Rent (avg)	Rent per Sq Foot (avg)	Total Mo. Rent	Annual Rent
1 Bedroom @ 35% AMI	14	703	9,840	\$ 524	\$ 63	\$ 461	\$ 456	\$ 0.65	\$ 6,385	\$ 76,620
1 Bedroom @ 50% AMI	11	703	7,731	\$ 678	\$ 63	\$ 615	\$ 584	\$ 0.83	\$ 6,422	\$ 77,064
1 Bedroom @ 60% AMI	3	703	2,109	\$ 814	\$ 63	\$ 751	\$ 615	\$ 0.88	\$ 1,845	\$ 22,140
2 Bedroom @ 35% AMI	10	878	8,783	\$ 629	\$ 74	\$ 555	\$ 554	\$ 0.63	\$ 5,539	\$ 66,468
2 Bedroom @ 50% AMI	32	878	28,105	\$ 813	\$ 74	\$ 739	\$ 691	\$ 0.79	\$ 22,101	\$ 265,212
2 Bedroom @ 60% AMI	36	878	31,618	\$ 976	\$ 74	\$ 902	\$ 771	\$ 0.88	\$ 25,452	\$ 305,426
3 Bedroom @ 35% AMI	12	1,043	12,516	\$ 726	\$ 85	\$ 641	\$ 628	\$ 0.60	\$ 7,534	\$ 90,408
3 Bedroom @ 50% AMI	14	1,043	14,602	\$ 940	\$ 85	\$ 855	\$ 831	\$ 0.80	\$ 11,640	\$ 139,680
3 Bedroom @ 60% AMI	14	1,043	14,602	\$ 1,128	\$ 85	\$ 1,043	\$ 854	\$ 0.82	\$ 11,962	\$ 143,544
4 Bedroom @ 35% AMI	2	1,200	2,400	\$ 813	\$ 105	\$ 708	\$ 708	\$ 0.59	\$ 1,416	\$ 16,992
4 Bedroom @ 50% AMI	5	1,200	6,000	\$ 1,028	\$ 105	\$ 923	\$ 894	\$ 0.75	\$ 4,470	\$ 53,640
4 Bedroom @ 60% AMI	5	1,200	6,000	\$ 1,233	\$ 105	\$ 1,128	\$ 902	\$ 0.75	\$ 4,510	\$ 54,120
5 Bedroom @ 35% AMI	2	1,794	3,588	\$ 894	\$ 105	\$ 789	\$ 688	\$ 0.38	\$ 1,376	\$ 16,512
5 Bedroom @ 50% AMI	3	1,794	5,382	\$ 1,104	\$ 105	\$ 999	\$ 937	\$ 0.52	\$ 2,811	\$ 33,732
5 Bedroom @ 60% AMI	3	1,794	5,382	\$ 1,324	\$ 105	\$ 1,219	\$ 960	\$ 0.54	\$ 2,880	\$ 34,560
Manager's Units (2 Bedroom)	3	878	2,635				\$ 771	\$ 0.88	\$ 2,314	\$ 27,766
	169		161,292						\$ 118,657	\$ 1,423,884

<u>Income</u>	Rate	Annual Increase	Per unit	2015 Year 1	2016 Year 2	2017 Year 3	2018 Year 4	2019 Year 5	2024 Year 10	2029 Year 15	2033 Year 20	2038 Year 25	2043 Year 30
Potential Gross Income		2.00%		1,423,884	1,452,362	1,481,409	1,511,037	1,541,258	1,701,673	1,878,785	2,074,330	2,290,228	2,528,597
Other Income		2.00%		6,342	6,469	6,598	6,730	6,865	7,579	8,368	9,239	10,201	11,263
Less Vacancy (5%)	5.00%			71,511	72,942	74,400	75,888	77,406	85,463	94,358	104,178	115,021	126,993
Effective Gross Income				\$1,358,715	\$1,385,889	\$1,413,607	\$1,441,879	\$1,470,717	\$1,623,790	\$1,792,795	\$1,979,391	\$2,185,407	\$2,412,866
<u>Operating Expenses</u>													
Operating Expenses		3.00%	4,434	749,357	771,838	794,993	818,843	843,408	977,741	1,133,470	1,314,002	1,523,288	1,765,909
Property Management Fee		3.00%	657	111,000	114,330	117,760	121,293	124,931	144,830	167,897	194,639	225,640	261,579
Social Services		3.00%	476	80,400	82,812	85,296	87,855	90,491	104,904	121,612	140,982	163,437	189,468
Assessments		2.00%	236	39,900	40,698	41,512	42,342	43,189	47,684	52,647	58,127	64,177	70,856
Replacement Reserves			505	85,400	85,400	85,400	85,400	85,400	85,400	85,400	85,400	85,400	85,400
Total Expenses			6,308	\$1,066,057	\$1,095,078	\$1,124,961	\$1,155,733	\$1,187,419	\$1,360,559	\$1,561,027	\$1,793,150	\$2,061,942	\$2,373,212
Net Operating Income				\$292,658	\$290,811	\$288,646	\$286,146	\$283,297	\$263,231	\$231,769	\$186,241	\$123,466	\$39,655

<u>Debt Service</u>	Amount	Rate	Term										
Senior Loan	\$ 1,276,000	4.75%	15	119,102	119,102	119,102	119,102	119,102	119,102	119,102	0	0	0
SHRA Monitoring Fee	\$ 14,072,045	0.15%	55	21,108	21,108	21,108	21,108	21,108	21,108	21,108	21,108	21,108	21,108
Debt Service Subtotal				\$140,210	\$140,210	\$140,210	\$140,210	\$140,210	\$140,210	\$140,210	\$21,108	\$21,108	\$21,108
DCR on Senior Loan				2.09	2.07	2.06	2.04	2.02	1.88	1.65	8.82	5.85	1.88

<u>Priority Distributions</u>													
Partnership Management Fee		0.45%		\$20,000	\$20,090	\$20,180	\$20,271	\$20,362	\$20,825	\$21,298			
Asset Management Fee		3.00%		\$5,000	\$5,150	\$5,305	\$5,464	\$5,628	\$6,524	\$7,563	\$8,768	\$10,164	\$11,783
Net Cash after Priority Distributions				\$127,448	\$125,362	\$122,951	\$120,202	\$117,098	\$95,673	\$62,699	\$156,365	\$92,194	\$6,764

<u>Developer Loan</u>													
Principal Balance	\$1,416,216	0.00%		1,416,216	1,288,768	1,163,406	1,040,455	920,253	373,475				
Payment				127,448	125,362	122,951	120,202	117,098	95,673				
Balance				\$1,288,768	\$1,163,406	\$1,040,455	\$920,253	\$803,156	\$277,802				

Net Cash after Developer Loan				\$0	\$0	\$0	\$0	\$0	\$0	\$62,699	\$156,365	\$92,194	\$6,764
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<u>SHRA Loan</u>													
Principal Balance	\$6,300,000	0.00%		6,300,000	6,300,000	6,300,000	6,300,000	6,300,000	6,300,000	6,255,936	5,638,500	5,066,322	4,791,115
Payment				0	0	0	0	0	0	0	134,093	81,780	6,764
Balance				\$6,300,000	\$6,300,000	\$6,300,000	\$6,300,000	\$6,300,000	\$6,300,000	\$6,255,936	\$5,504,407	\$4,984,542	\$4,784,351

MAXIMUM RENT AND INCOME LEVELS 2013
Restricted by Low Income Housing Tax Credits, HOME, Mortgage
Revenue Bonds

Maximum Income Levels

Family Size	50% AMI	60% AMI
1 person	\$26,650	\$31,980
2 person	\$30,450	\$36,540
3 person	\$34,250	\$41,100

Maximum Rent Levels

Unit Size	50% AMI	60% AMI
2 Bedroom	\$813	\$976

RESOLUTION NO. 2013 -

Adopted by the Sacramento City Council

On date of

GLEN ELLEN ESTATES: APPROVAL OF UP TO \$500,000 HOME INVESTMENT PARTNERSHIP PROGRAM DEVELOPMENT LOAN; EXECUTION OF COMMITMENT AND RELATED DOCUMENTS WITH MUTUAL HOUSING CALIFORNIA OR RELATED ENTITY; RELATED BUDGET AMENDMENT.

BACKGROUND

- A. Mutual Housing California (Developer) has applied for an allocation of up to Five Hundred Thousand Dollars (\$500,000) in City Home Investment Partnership Program (HOME) funds to assist in funding the rehabilitation and permanent financing of the Glen Ellen Estates project, located at 2380-2398 Glen Ellen Circle in the City of Sacramento
- B. The Glen Ellen Estates project qualifies for HOME funding under the Sacramento Housing and Redevelopment Agency (Agency) guidelines.
- C. The Glen Ellen Estates property has an existing loan of \$311,281 from the City Community Development Block Grant (CDBG) program. The Agency will seek approval from the appropriate governing body at a later date to allow for the restructuring and assignment of the existing CDBG loan to the Developer.
- D. 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.
- E. The project consists of the rehabilitation of a multifamily residential complex in which the unit density will not be changed by more than 20 percent and the estimated cost of rehabilitation is less than 75 percent of the cost of replacement after rehabilitation; therefore, the proposed action is categorically excluded under the National Environmental Policy Act (NEPA) pursuant to 24 CFR Section 58.35(a)(3)(ii).

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 Section 15301, and categorically excluded under NEPA pursuant to 24 CFR 58.35(a)(3)(ii).

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- Section 2. The Loan Commitment for the financing of the Glen Ellen Estates project ("Loan Commitment") attached as exhibit A is approved and the Agency is authorized to execute the Loan Commitment and related documents and transmit to Mutual Housing California or related entity.
- Section 3. The Agency is authorized to amend the Agency budget to transfer Five Hundred Thousand Dollars (\$500,000) from Multifamily Rehabilitation to the Glen Ellen Estates project.
- Section 4. The Agency is authorized to execute the Loan Agreement consistent with the Loan Commitment, execute other documents, and perform other actions necessary to fulfill the intent of repayment of funds, including without limitation, subordination, extensions and restructuring of payments, all in a form as approved by Agency counsel.

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Exhibit A: Commitment Letter



June 11, 2013

Ms. Rachel Iskow, Executive Director
Mutual Housing California
8001 Fruitridge Road, Suite A
Sacramento, CA 95820

RE: Conditional Funding Commitment, Glen Ellen Estates

Dear Ms. Iskow:

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 \$500,000 comprised of City Home Investment Partnership Program ("HOME") funds for the purpose of financing the development of that certain real property located at 2380-2398 Glen Ellen Circle in Sacramento, California ("Property"). The Property has an existing loan of \$311,281 from the City Community Development Block Grant (CDBG) program ("Existing Debt"). The Agency will seek approval from the appropriate governing body to allow for the restructuring and assignment of the existing CDBG loan. 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 June 11, 2013. In the event of any discrepancies between terms stated in this commitment and the loan documents, the terms stated in the loan commitment letter shall be deemed to be terms of this commitment.

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

This commitment will expire on June 1, 2014.

1. PROJECT DESCRIPTION: The project is the acquisition and rehabilitation of existing property at 2380-2398 Glen Ellen Circle in the City of Sacramento. At least 7 units will be affordable to individuals earning no more than 50 percent of the area median income (AMI), at least 27 units will be affordable to individuals earning no more than 60 percent of AMI, and one manager's unit will be unregulated.
2. BORROWER: The name of the Borrower for the Loan is Mutual Housing California 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 principal amount of the Loan will be the lesser of (a) Five Hundred Thousand Dollars (\$500,000), 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 57 years or 684 months from the date of the first disbursement, at which point any and all unpaid principal and interest on the loan will be due and payable.
6. INTEREST RATE: The Loan shall bear no interest.
7. MONTHLY REPAYMENT: Monthly principal and interest payments shall be deferred from the Loan's Effective Date through the first 204 months. Beginning in month 205, monthly installments shall be made according to the payment schedule contained in the Loan Agreement, calculated to achieve an annual 1.2 debt coverage ratio. Monthly payments shall be applied first to outstanding interest accrued and unpaid and then to principal.
8. AMORTIZATION: Loan shall amortize as permitted by monthly payments.
9. SOURCE OF LOAN FUNDS: Agency is making the Loan from City HOME 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 or 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 third lien upon the Property and Improvements subject only to other items as the Agency may approve in writing. The Loan shall also be secured by security agreements. The Agency may subordinate said deeds of trust in order to accommodate completion of construction of the Property.
12. 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.
13. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$4,500,000 from sources including Low Income Housing Tax Credits, an existing loan from the State Department of Housing and

Community Development, a seller carry back loan, net operating income during rehabilitation, deferred developer fee, other developer loan, and existing reserves.

14. OTHER FINANCING: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:
 - (a) 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 and for a term of not less than 15 years and fully amortized.
 - (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 Agency loan documents or other agreements.
15. EVIDENCE OF FUNDS: Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its 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.
16. SOILS AND TOXIC REPORTS: Borrower must submit to Agency a hazardous substances report made in accordance with the American Society for Testing and Materials "Standard Practice for Environmental Site Assessments; Phase I Environmental Site Assessment Process" (Designation E1527-93) prepared by a licensed or registered environmental engineer or other qualified party prior to Loan closing. Borrower must, as a condition of disbursement of Loan funds, give assurances satisfactory to the Agency that hazardous materials are not present on the Property or that any hazardous materials on the Property have been remediated and that no further remediation is then required by the environmental agency having responsibility for monitoring such remediation.

17. LOAN IN BALANCE: Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders are sufficient, in the sole judgment of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency. Should the Agency determine that the Loan is not "in balance", the Agency may declare the Loan to be in default.
18. PLANS AND SPECIFICATIONS: Final plans and specifications for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the 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 also reserves the right to require performance and material payment bonds on any or all contractors, or in lieu of bond a letter of credit acceptable to Agency.

Agency shall make disbursements of the Loan based on a cost breakdown that lists line items in cost categories. Agency shall require that Borrower provide documentation supporting all requests for disbursement of Loan funds, including proof of work done and

actual expenditure. Agency shall conduct inspections of the Property to assure that the work was done before making a disbursement.

23. COST SAVINGS: At completion of construction, borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the projected final sources of funding. If there is an aggregate savings, net of any increases or decreases in sources of funding, 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 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.

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 seek approval from the appropriate governing body to assign the existing \$311,281 (principal and accrued interest) of Agency debt to the Borrower. The Agency will seek to extend the term of this loan to be consistent with the 57 year term of the new \$500,000 Agency Loan and to adjust the interest rate.
40. ACCEPTANCE OF THIS COMMITMENT: Borrower's acceptance of this Commitment, including acceptance of Borrower's obligation to assume the Existing Debt, 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:
Mutual Housing California

By: _____
Rachel Iskow
Executive Director

Dated: