



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

Review
September 3, 2013

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

Title: Tax Equity and Fiscal Responsibility (TEFRA) Hearing and Approval of Tax Exempt Bonds and Loan for Washington Plaza Senior Apartments

Location/Council District: 1318 E Street, Council District 4

Issue: Resolution No. 2013-0367 (Council Rules of Procedure) requires additional posting time for labor agreements and agreements greater than \$1,000,000. This report requests approval of the issuance of a tax-exempt mortgage revenue bond obligation and approve a gap financing loan and a seller carryback loan for rehabilitation of the property in excess of \$1,000,000.

Recommendation: Review 1) **Housing Authority Resolution** a) acknowledging and declaring that the Housing Authority (Authority) intends to execute and deliver the obligations to pay the costs of financing the acquisition and construction of the Washington Plaza Project (Project) and that the maximum amount of proceeds is not to exceed \$14,000,000, b) acknowledging that there are no funds that are reasonably expected to be available for this purpose, c) declaring that the obligations shall be solely the responsibility of the Developer and that the Authority is not obligated to provide financing to the Developer, d) acknowledging that approval of this action does not authorize the Authority or the City of Sacramento to approve any application or request for any environmental, General Plan, zoning or any other permit necessary for the acquisition, construction or operation of the Project, and e) authorizing the Authority to make an application to the California Debt Limit Allocation Committee for an allocation of private activity bonds for the financing of the Project. 2) a **Housing Authority Resolution** a) approving a seller carryback loan commitment for financing the acquisition of the property by the Developer for \$5,458,000 and authorizing the Executive Director to execute and transmit the carryback loan commitment to the Developer, b) authorizing the Executive Director to enter into and execute related agreements and perform other actions necessary to fulfill the intent of the loan commitment and to ensure proper repayment of the Housing Authority funds, c) authorizing the Executive Director to amend the Housing Authority budget to receive and allocate payments for use in a manner consistent with the US Department of Housing and Urban Development Disposition Approval for 1318 E Street, Sacramento, CA, dated October 8, 2009, and d) making related findings; 3) a **City Council Resolution** a) approving a loan commitment for financing the project with up to \$2,568,000 of City Home Investment Partnership Program (HOME) funds and \$552,000 of Community Development Block Grant (CDBG) funds, and delegating authority for the Sacramento Housing and

Approval of Tax-exempt Bonds and Loan for Washington Plaza Senior Apartments

Redevelopment Agency (Agency) to execute and transmit the loan commitment to the Developer, b) authorizing the Agency to enter into and execute other documents to fulfill the intent of the loan commitment and to ensure proper repayment of the Agency funds, c) authorizing the Agency to amend the Agency budget and allocate up to \$2,568,000 in City HOME funds and up to \$552,000 in City CDBG funds to the Project, and e) making related findings; and, 4) a **City Council Resolution** a) approving the execution and delivery of the obligations solely for the purpose of fulfilling the requirement of Section 147(f) of the Code, indicating the City Council has conducted a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing related to the proposed project, and b) making related findings, and 5) continuing to September 10, 2013 for approval.

Contact: Christine Weichert, Assistant Director, Development Finance, 440-1353

Presenter: Gregory Ptucha, Development Finance

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: In August 2007, the Housing Authority of the City of Sacramento ("Housing Authority") adopted Repositioning Strategy Guiding Principles ("Strategy") as a strategic response to reductions in funding sources for public housing capital improvements and operations. Creative public-private partnerships were conceived as a means for the Sacramento Housing and Redevelopment Agency ("Agency") to attract private equity and debt capital as financing for needed repairs and improvements for certain existing projects.

The Strategy recommended three mid-rise buildings operated by the Housing Authority as priority projects. One of these three buildings, and the subject of this report, is the Washington Plaza Apartments at 1318 "E" Street in the Alkali Flat neighborhood. Washington Plaza is a 76-unit, nine-story, reinforced concrete structure constructed in 1971. Although structurally sound, the forty-four year old building needs significant upgrades to preserve the building as housing for extremely low-income seniors. A vicinity map is included as Attachment 1.

In 2009, to implement the Strategy, the Housing Authority created a nonprofit public benefit corporation under California law named the Sacramento Housing Authority Repositioning Program, Inc. ("SHARP"). SHARP's corporate structure is similar to the Norwood Avenue Housing Corporation non-profit that the Agency operates, and its board members are appointed by the Agency's Executive Director.

The physical needs assessment for the property identifies the need for almost \$10 million in construction "hard costs." Work to be done includes correcting life-safety concerns, remediating environmental issues, upgrading and waterproofing the building's exterior, replacing windows, upgrading mechanical and electrical systems, making energy efficiency improvements, upgrading unit interiors, and resolving code compliance issues. In addition, the ground floor entry and common areas will be significantly altered and increased in size to improve

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security, function and usefulness to tenants and to allow its use for community events. A proposed architectural illustration is included as Attachment 2.

The Project reflects a partnership between SHARP and BRIDGE Housing Corporation (BRIDGE), an experienced non-profit affordable housing developer based in San Francisco. BRIDGE will remain in the partnership throughout construction. Upon completion of the work, BRIDGE will exit the partnership, leaving SHARP to continue in an ownership role. The Housing Authority will continue to own the underlying land, and it is anticipated that the Housing Authority will continue to manage Washington Plaza. In addition, Housing with Heart, Inc., will provide a minimum of 15 hours of resident services each week.

The property will continue to be occupied during the planned 11-month rehabilitation period although three floors of tenants will be temporarily relocated to off-site locations on a rotating basis until work is complete. Vacating full floors will expedite the remediation and rehabilitation work. After approximately two months of temporary relocation, tenants will return to their renovated units.

Project funding sources will include more than \$7 million of low-income housing tax credit equity, about \$4 million in mortgage revenue bond proceeds, \$750,000 in Affordable Housing Program (AHP) funds, the \$3.12 million Agency loan, and a \$5.458 million Housing Authority seller carryback loan for the improvements. Since the property will continue to operate during renovation, more than \$444,000 of expected operating income will contribute to Project funding as well.

In connection with its loan, the Agency will impose a 55-year regulatory agreement to maintain use of the property as affordable senior housing. Units will be regulated at 50 percent of Area Median Income (AMI). However, the property also has an ongoing Housing Assistance Payments (HAP) contract from the US Department of Housing and Urban Development (HUD). This contract will ensure that no tenant pays more than 30 percent of their income for housing, with HUD paying the difference. Since all potential residents on the waiting list for such vouchers are extremely low income (30 percent of AMI or below), actual rents charged to tenants at Washington Plaza will be affordable at or below 30 percent of AMI.

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 is included as Attachment 5, and a schedule of maximum rents is included as Attachment 6.

Policy Considerations: The recommended actions are in keeping with the strategy adopted in the Housing Authority's 2007 Repositioning Strategy to attract non-traditional sources of equity and debt to preserve affordable housing. The actions are also generally consistent with approved Agency tax-exempt bond and multi-family loan policies. The total debt load of the property will exceed a 90% loan-to-value ratio, and the loan term will be 55 years. Regulatory restrictions on the property will be specified in bond and loan regulatory

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agreements. Compliance with the regulatory agreements will be monitored by the Agency on a regular basis for 55 years.

Economic Impacts: This residential rehabilitation project is expected to create approximately 96 total jobs (54 direct jobs and 42 jobs through indirect and induced activities) and result in approximately \$12.9 million in total economic output (\$7.9 million direct output and another \$5 million of output through indirect and induced activities).

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.

National Environmental Policy Act (NEPA): Review under the National Environmental Policy Act (NEPA) is currently underway and will be completed prior to any choice limiting action.

Sustainability Considerations: The renovation of Washington Plaza is consistent with City Sustainability Master Plan goal number one (Energy Independence) by improving energy efficiency and a consequent reduction in fossil fuel use, as well as the reduction of peak electrical demand through installation of solar power generating equipment. The Project is consistent with goal number five (Public Health and Nutrition) in that it will rehabilitate an inefficient, aged building and contribute to improvement of the historic Alkali Flat neighborhood.

Approval of Tax-exempt Bonds and Loan for Washington Plaza Senior Apartments

Commission Action: At its meeting on August 21, 2013, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this project. The votes were as follows:

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

NOES: none

ABSENT: Johnson, Shah

Rationale for Recommendation: The actions recommended in this report enable SHRA and HACS to continue to preserve existing affordable housing units and to provide a range of affordable housing opportunities in the City.

Financial Considerations: The proposed bond issuance will not be an obligation of the City, Housing Authority or the Agency. The bonds will be an obligation solely of the project and the owner, who will bear all costs associated with issuing the bonds. The Agency will receive a one-time issuance fee of 0.25 percent of the bond issuance amount, which is payable at bond closing, and it will also collect a fixed annual fee of 0.15 percent of the total bond issuance amount. The law firm of Orrick, Herrington & Sutcliffe LLP, is acting as bond counsel for the Housing Authority.

The proposed Agency loan comprised of up to \$2.568 million of federal HOME funds and \$552,000 of City CDBG funds has been limited to the amount needed to fill the gap between total Project financing needs and funds available from private equity investors, AHP and mortgage revenue bond sources. Annual repayment of the principal and accrued interest on the Agency loan will be calculated to achieve an annual 1.2 debt service coverage ratio. All unpaid amounts will be due and payable at the maturity of the loan.

The proposed Housing Authority seller carryback loan has been set at the appraised value of the property to be transferred. Repayment will occur as cash flow permits, with all unpaid amounts due and payable at the maturity of the loan.

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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 federal funding. Section 3 requirements will be applied to the extent they may be applicable.

Respectfully Submitted by:


LA SHELLE DOZIER
Executive Director

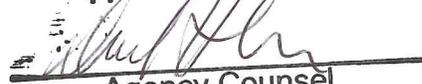
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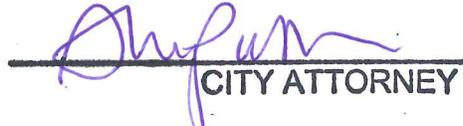
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Approved as to form:

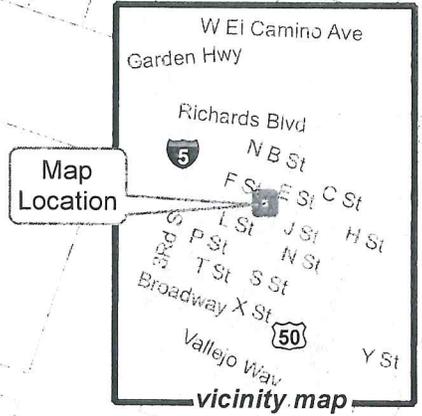
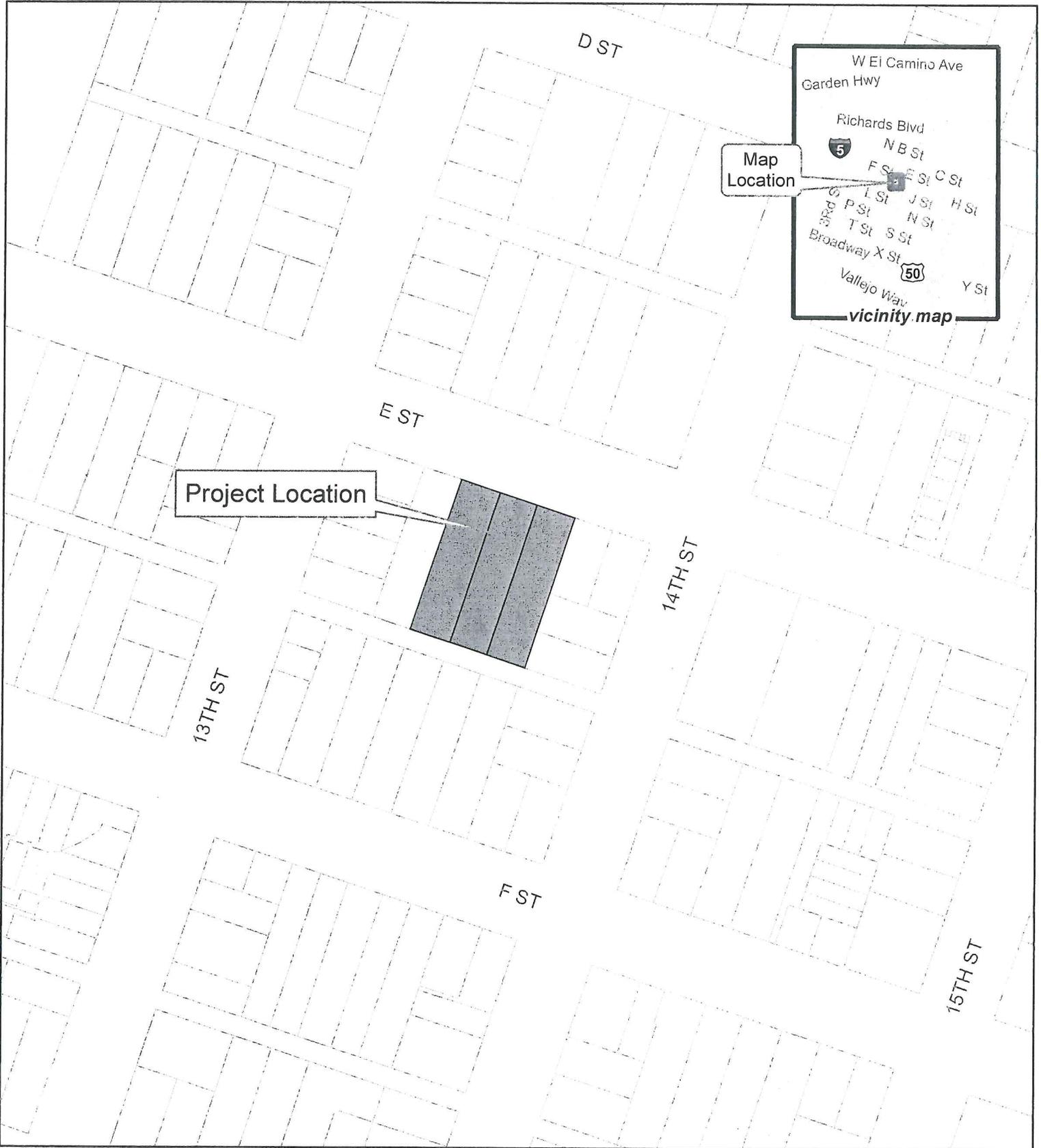

Agency Counsel

APPROVED AS TO FORM:


CITY ATTORNEY



1318 E St



1318 E St



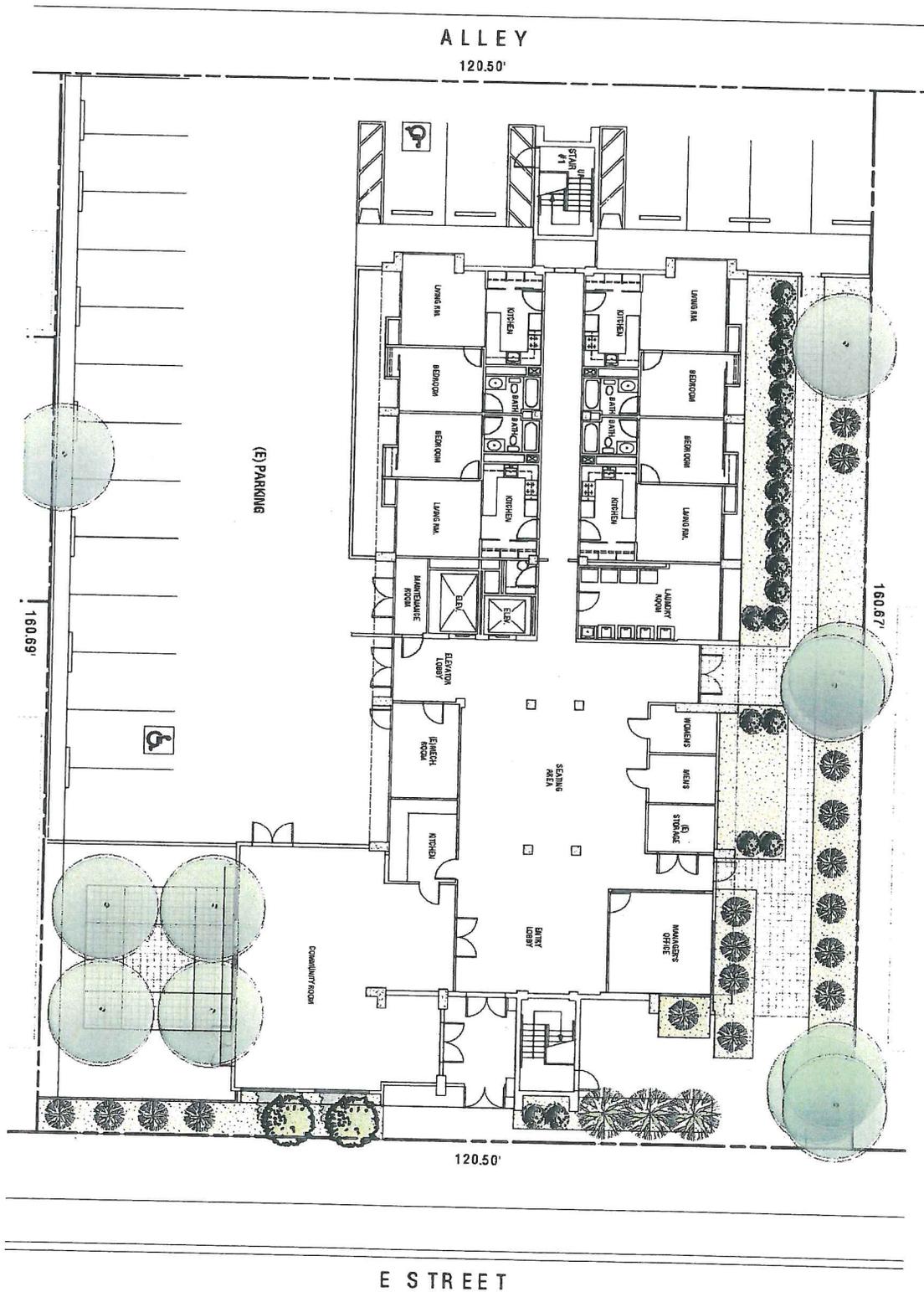
SHRA GIS
August 16, 2013

Architectural Illustrations
Washington Plaza Senior Apartments



Perspective Elevation of East and North (E Street) Facades

Architectural Illustrations
Washington Plaza Senior Apartments



Washington Plaza Senior Apartments Background Information

The Developer, a joint venture between BRIDGE Housing Corporation (BRIDGE) and the Sacramento Housing Authority Repositioning Program (SHARP), proposes to rehabilitate the Washington Plaza Apartments at 1318 E Street in Sacramento. This collaboration is a result of an asset repositioning strategy by the Housing Authority of the City of Sacramento (Housing Authority), which is intended to address the limited funding available to rehabilitate aging public housing units.

Project Description: Washington Plaza is a 76-unit, nine-story, reinforced concrete structure constructed in 1971. A vicinity map and architectural renderings are provided as Attachments 1 and 2. Although structurally sound, the forty-four year old building needs significant upgrades to preserve it as housing for very low-income seniors. The almost \$10 million in rehabilitation costs proposed for the project will include correcting life-safety concerns, remediating environmental issues, upgrading and waterproofing the building's exterior, replacing windows, upgrading mechanical and electrical systems, making energy efficiency improvements, upgrading unit interiors, and resolving code compliance issues. In addition, the ground floor entry and common areas will be significantly altered and increased in size to improve security, function and usefulness to tenants and to allow its use for community events.

Developer: BRIDGE Housing Corporation is a non-profit developer based in San Francisco, California. They have won numerous awards for design, finance, environmental sustainability, and multifamily affordable communities, and have participated in the development of over 14,000 housing units. BRIDGE was established in 1983 and their projects display the same quality of construction as market-rate housing. BRIDGE strives to create sustainable living environments that enhance and uplift the neighborhoods around them and to prevent people from being priced out of their own communities. BRIDGE recently completed the Foothill Farms Senior Housing project in Sacramento County.

SHARP is a nonprofit public benefit corporation created by the Housing Authority in 2009, to implement the Repositioning Strategy Guiding Principles adopted by the Housing Authority in 2007. Its activities include acquiring, providing, developing, financing, rehabilitating, owning and operating affordable housing, for the purpose of repositioning aging Housing Authority assets to maintain and preserve their affordable units. It is currently partnering with BRIDGE to purchase and rehabilitate three Housing Authority properties, including Washington Plaza.

Property Management: The property is proposed to be managed by the Housing Authority. Housing Authority staff currently manage the units at Washington Plaza, along with 3,300 other housing units throughout the City and County of Sacramento.

Resident Services: Resident services at Washington Plaza will be provided by Housing with HEART, an affiliate of Jamboree Housing Corporation. Housing with HEART will provide 15 hours of services to the residents per week, including health and wellness and life building services. Housing with HEART provides services at several properties in the City and County of Sacramento, including the Hotel Berry.

Security: Developer will be required to provide a security camera system and lighting adequate to properly illuminate all common spaces.

Project Financing: Funding for the project includes a mortgage revenue bond and Low-Income Housing Tax Credits (LIHTC), an Affordable Housing Program grant from the Federal Home Loan Bank, a seller carryback loan for the improvements from the Housing Authority, an Agency gap financing loan, and income from operations during the construction period.

The property also has an ongoing Housing Assistance Payments (HAP) contract from the US Department of Housing and Urban Development (HUD), which will provide a source of ongoing income to supplement rents paid by tenants. Pursuant to the HAP contract, each unit will have a Housing Choice Voucher associated with it. Tenants will pay no more than 30 percent of their income in rent each month, and the HUD voucher will pay the difference between the tenant's payment and a market rent calculated by HUD.

These funding sources together will require that all of the units in the property, excluding one manager's unit, be affordable to households earning less than 50 percent of Area Median Income (AMI). In addition, all of the potential tenants on the Housing Choice Voucher waiting list are extremely low income, so actual rents charged to tenants will be below 30 percent of AMI.

Low-Income Set-Aside Requirements: As a condition of receiving tax credits and the benefits of tax-exempt bond financing, federal law requires the apartments be set-aside for targeted income groups. The Agency's gap financing will also restrict rents at the property. Regulatory restrictions on the units will last for 55 years. The following chart summarizes the combined proposed affordability restrictions:

Funding	% of Units	Affordability Restrictions	No. Units	Regulatory Requirements
Tax-Exempt Bonds, Tax Credits (LIHTC), Agency Loan	99%	Very Low Income (50% AMI)	75	55 years
Unrestricted	1%	Unrestricted	1	None
Total	100%		76	

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

Washington Plaza Senior Apartments
Project Summary

Address	1318 E Street, Sacramento 95814		
Number of Units	76		
Year Built	1971		
Acreage	0.45 (19,602 sq. ft.)		
Affordability	75 units (99%) at or below 50% of Area Median Income (AMI) * 1 Manager's Unit		
Unit Mix and Rents	1 Bedroom / 1 Bath Unrestricted	VLI (50% AMI) * 75	Manager 1
Square Footage	<i>Unit Size (sq.ft.)</i>	<i>Total</i>	
1 Bedroom / 1 Bath	408	31,000 sq. ft.	
Ground Floor Community Area		1,400 sq. ft.	
Laundry Room		400 sq. ft.	
Total		32,800 sq. ft.	
Resident Facilities	Community room with kitchen, 19 on-site parking stalls, laundry, outdoor seating area		
Permanent Sources	<i>Total</i>	<i>Per Unit</i>	<i>Per Square Foot</i>
Mortgage Revenue Bond	3,972,500	52,270	121
Tax Credit Equity	7,683,751	101,102	234
Seller Carry back Loan	5,458,000	71,816	166
Construction Period Income	444,065	5,843	14
AHP Loan	750,000	9,868	23
Agency Loan	3,120,000	41,053	95
TOTAL SOURCES	\$ 21,428,316	\$ 281,952	\$ 653.30
Permanent Uses			
Acquisition Costs	5,458,000	71,816	166
Construction Costs	8,230,649	108,298	251
Contingency	1,522,158	20,028	46
Financing Costs	905,805	11,918	28
Reserves	563,845	7,419	17
Legal Fees	158,500	2,086	5
Relocation - Temporary	662,000	8,711	20
Permits	209,526	2,757	6
Architecture and Engineering	360,000	4,737	11
Developer Fee	2,500,000	32,895	76
Other	857,833	11,287	26
TOTAL USES	\$ 21,428,316	\$ 281,952	\$ 653.30
Management / Operations			
Proposed Developer:	SHARP, Inc. and BRIDGE Housing Corporation		
Property Management Company:	Housing Authority of the City of Sacramento		
Operations Budget:	\$406,495	\$5,349	
Resident Services:	\$24,000	\$316	
Replacement Reserves:	\$22,800	\$300	

* HAP contract ensures all tenants will be extremely low income (30 percent or less of AMI).

Washington Plaza Cash Flow

Unit Type	Number	Square Feet	Total Sq Feet	TCAC		Utility Allowance		TCAC Net Rent		Rent per Sq Foot		Net Monthly TCAC Rent		Annual TCAC Rent		HAP Rent Increment Per Unit		Total Monthly HAP Increment		Total Annual HAP Increment		
				2016	2017	2018	2019	2020	2025	2030	2035	2040	2045	2016	2017	2018	2019	2020	2025	2030	2035	2040
1 BD / 1BA @ 50% AMI	75	408	30,600	\$ 678	\$ 59	\$ 619	\$ 1.52	\$ 46,425	\$ 557,100	\$ 174	\$ 13,050	\$ 156,600										
Manager's Unit	1	408	408	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total / Average for Restricted Units	76	408	31,008	\$ 678	\$ 59	\$ 619	\$ 1.50	\$ 46,425	\$ 557,100	\$ 174	\$ 13,050	\$ 156,600										
Income	rate	annual increase	per unit	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30									
Potential Gross Income		2.00%	4,141	579,607	591,199	603,023	615,083	627,385	692,684	764,779	844,378	932,261	1,029,292									
Excess HAP Income		2.00%	526	162,927	166,185	169,509	172,899	176,357	194,712	214,978	237,353	262,057	289,332									
Other Income		2.00%	316	24,068	24,549	25,040	25,541	26,052	28,763	31,757	35,062	38,711	42,740									
Less Vacancy - TCAC rents	3.00%		66	-17,388	-17,736	-18,091	-18,453	-18,822	-20,781	-22,943	-25,331	-27,968	-30,879									
Less Vacancy - Sec 8 PBS increment rent	3.00%		0	-4,888	-4,986	-5,085	-5,187	-5,291	-5,841	-6,449	-7,121	-7,862	-8,680									
Effective Gross Income			5,049	\$744,325	\$759,212	\$774,396	\$789,884	\$805,681	\$889,537	\$982,121	\$1,084,341	\$1,197,200	\$1,321,806									
Operating Expenses																						
Property Management		3.00%	4,141	333,860	343,876	354,192	364,818	375,762	435,611	504,993	585,425	678,668	786,763									
Resident Services		3.00%	526	42,436	43,709	45,020	46,371	47,762	55,369	64,188	74,412	86,264	100,003									
Taxes & Assessments		2.00%	316	24,000	24,720	25,462	26,225	27,012	31,315	36,302	42,084	48,787	56,558									
Replacement Reserves		0.00%	66	5,000	5,100	5,202	5,306	5,412	5,975	6,597	7,284	8,042	8,879									
Total Expenses			5,049	428,096	440,205	452,676	465,520	478,749	551,071	634,891	732,005	844,561	975,003									
Net Operating Income				\$316,229	\$319,007	\$321,720	\$324,363	\$326,933	\$338,466	\$347,240	\$352,336	\$362,639	\$375,244									
Debt Service																						
Senior Loan	amount	rate	term																			
Housing Authority Monitoring Fee	\$3,972,500	5.500%	35	19,249	19,249	19,249	19,249	19,249	19,249	19,249	19,249	19,249	19,249									
Debt Service Subtotal	\$12,832,342	0.150%		275,244	275,244	275,244	275,244	275,244	275,244	275,244	275,244	275,244	275,244									
Priority Distributions																						
Asset Management Fee (AMF)		3.00%		5,000	5,150	5,305	5,464	5,628	6,524	7,563	8,768	10,164	11,783									
Partnership Management Fee (PMF)		3.00%		20,000	20,600	21,218	21,855	22,510	26,095	30,252	35,070	40,656	47,131									
Priority Distributions Subtotal				25,000	25,750	26,523	27,318	28,138	32,619	37,815	43,838	50,820	58,914									
Net Cash after Priority Distributions				15,985	18,013	19,953	21,801	23,551	30,603	34,181	33,254	26,575	12,645									
Housing Authority Seller Carryback Loan																						
Principal Balance	5,458,000	3.16%		5,458,000	5,458,000	5,458,000	5,458,000	5,458,000	5,458,000	5,458,000	5,458,000	5,458,000	5,458,000									
Interest for Period	172,473			188,823	194,285	199,855	205,540	235,928	270,948	310,094	356,858	412,836	483,617									
Accumulated Interest	517,418			690,257	866,529	1,046,431	1,230,170	1,424,573	1,633,876	1,859,331	2,105,331	2,371,331	2,658,000									
Payment	15,985			18,013	19,953	21,801	23,551	28,138	32,619	37,815	43,838	50,820	58,914									
Balance	5,959,433			6,130,244	6,304,576	6,482,630	6,664,619	6,852,192	7,044,573	7,241,787	7,443,931	7,651,105	7,863,419									
Principal Balance	3,120,000	0.00%		3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000									
Payment	0			0	0	0	0	0	0	0	0	0	0									
Balance	3,120,000			3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000									
Combined Debt Coverage Ratio				1.15	1.16	1.17	1.18	1.19	1.23	1.26	1.28	1.28	1.26									
Net Cash After All Loan Repayment				0	0	0	0	0	0	0	0	0	0									

MAXIMUM RENT AND INCOME LEVELS 2013

Rents @ 50% of Area Median Income

Maximum Income Limits:

	Max Income
Family Size	50% AMI
1 person	\$25,350
2 person	\$28,950

Maximum Rent Limits:

Low Income Housing Tax Credits (LIHTC's)

Unit Size	Gross Rent
	50% AMI
1 Bedroom	\$679.00

** Rent listed is the maximum gross rent under tax credit guidelines. However, the project's Housing Assistance Payments (HAP) contract will allow tenants to pay no more than 30% of their income, with HUD paying the difference between the tenant payment and market rent. Further, all potential tenants currently on a waiting list for such units are below 30% AMI. As such, tenant rent payments will be at or below 30% AMI (less than \$407).*

RESOLUTION NO. 2013 –

Housing Authority of the City of Sacramento

on the date of

**WASHINGTON PLAZA APARTMENTS REHABILITATION (“PROJECT”):
APPROVAL OF \$5,458,000 SELLER CARRYBACK LOAN COMMITMENT;
EXECUTION OF RELATED LOAN COMMITMENTS AND RELATED DOCUMENTS
WITH WASHINGTON PLAZA HOUSING ASSOCIATES, LP, OR RELATED ENTITY;
AND RELATED BUDGET AMENDMENTS**

BACKGROUND

- A. The Housing Authority of the City of Sacramento (“Housing Authority”) adopted Resolution No. 2009-003 on March 10, 2009 which authorized an application to the United States Department of Housing and Urban Development (“HUD”) for disposition of Washington Plaza Apartments (“Washington Plaza” or “Project”) at 1318 E Street, Sacramento;
- B. Said resolution also authorized the transfer of ownership of Washington Plaza to an instrumentality of the Housing Authority for ultimate further transfer to an entity that can benefit from the use of low-income housing tax credits to accomplish necessary renovations to Washington Plaza;
- C. HUD approved the disposition of Washington Plaza on October 8, 2009 and the instrumentality, the Sacramento Housing Authority Repositioning Program, Inc., (“SHARP”) has been established;
- D. SHARP and BRIDGE Housing Corporation (“BRIDGE”) working together as co-developers created Washington Plaza Housing Associates, LP, (“Applicant”) to apply to the California Tax Allocation Committee for tax credits to accomplish rehabilitation of Washington Plaza;
- E. The Housing Authority entered into an exclusive ground lease and purchase option agreement with SHARP and BRIDGE in March 2013;
- F. The Applicant has also applied for rehabilitation and construction financing in the form of seller financing (“Carryback Loan Commitment”) from the Housing Authority in an amount of \$5,458,000 as justified by fair market value appraisal.

G. The Agency has considered environmental impacts of the project in accordance with California Environmental Quality Act (CEQA) and has determined that the Project is exempt due to CEQA §15301, where rehabilitation to the existing facility involves no expansion or change to the existing use. Review under the National Environmental Policy Act (NEPA) 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 RESOLVES AS FOLLOWS:

Section 1. All of the evidence having been duly considered, the findings, including the environmental findings, as stated above, are approved.

Section 2. The Carryback Loan Commitment attached as Exhibit A for financing the acquisition of the property by Applicant for \$5,458,000, reflecting fair market value of Washington Plaza, is approved and the Executive Director is authorized to execute and transmit the Carryback Loan Commitment to the Applicant.

Section 3. The Executive Director is authorized to enter into and execute related purchase-and-sale and ground lease agreements and other documents, as approved to form by Housing Authority Counsel, and perform other actions necessary to fulfill the intent of each loan commitment that accompanies this resolution, in accordance with the terms of each, and to ensure proper repayment of the Housing Authority funds including without limitation, subordination, extensions, and restructuring of such a loan consistent with Agency adopted policy and with this resolution.

Section 4. The Executive Director is authorized to amend the Housing Authority budget to receive and allocate payments for use in a manner consistent with the United States Department of Housing and Urban Development Disposition Approval for 1318 E Street, Sacramento, CA, dated October 8, 2009.

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Exhibit A - Carryback Loan Commitment Letter

September 10, 2013

James Shields, President
Sacramento Housing Authority Repositioning Program, Inc. ("SHARP")
801 12th Street, 5th Floor
Sacramento, CA 95814

Ann Silverberg, Senior Vice President
BRIDGE Housing Corporation
345 Spear Street, 7th Floor
San Francisco, CA 94105

Re: Conditional Seller Carryback Funding Commitment
Washington Plaza Senior Apartments, 1318 E Street, Sacramento, CA

Dear Mr. Shields and Ms. Silverberg:

On behalf of the Housing Authority of the City of Sacramento ("Agency"), we are pleased to advise you of its commitment in the amount of \$5,548,000 in the form of a seller carry-back loan ("Loan") for the purpose of financing the acquisition of improvements located at 1318 E Street in Sacramento, California ("Property") commonly known as Washington Plaza Senior Apartments. The Agency's decision is based on your application and all representations and information supplied by you in relation 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 the satisfaction of all the following terms and conditions and Borrower's execution of documentation in a form and substance satisfactory to the Agency.

The Loan shall be made on standard Agency loan documents. No material loan terms other than those 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 Housing Authority Resolution 2009-003 approved on March 10, 2009. In the event of any discrepancies between terms stated in this commitment and the loan documents, the terms stated in the loan documents 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 its 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 September 1, 2014.

1. PROJECT DESCRIPTION: The project is the acquisition and rehabilitation of existing property located at 1318 E Street in Sacramento, California. At least 75 units will be affordable to qualifying seniors earning less than 50% of AMI, and one resident manager unit will be unrestricted.
2. BORROWER: The name of the Borrower for the Loan is anticipated to be Washington Plaza Housing Associates, LP or a similarly named related entity in which the general partner will initially be a limited liability company comprised of Sacramento Housing Authority Repositioning Program, Inc. ("SHARP") and an affiliate of BRIDGE Housing Corporation.
3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely for financing the acquisition of improvements on the Property.
4. PRINCIPAL AMOUNT: The total principal amount of the Loan will be Five Million Five Hundred Forty-Eight Thousand Dollars (\$5,548,000).
5. TERM OF LOAN: The Loan shall mature 55 years from the close of escrow date.
6. INTEREST RATE: The Loan shall bear interest at the Applicable Federal Rate at the time of escrow closing. Interest shall be calculated on the basis of a 360-day year and actual days elapsed. The current indicative rate is Three and Sixteen Hundredths Percent (3.16%) compounded annually.
7. LOAN REPAYMENT: Commencing on January 1 following the Conversion Date, annual payments of interest and principal shall be due in arrears, in an amount equal to the Residual Receipts remaining, if any, after payment of all operating expenses and priority payments as further described below. All unpaid principal and interest amounts due but not payable shall accrue under the Note. All payments shall be applied first to accrued interest and thereafter to principal. All outstanding principal and interest is due and payable on the maturity date.
 - a. Residual Receipts is defined as the net income remaining in the period as stated in the annual audited financial statement after payment of all approved operating expenses and priority payments due in the period.
 - b. Priority Payments are defined as replacement reserve deposits, operating reserve deposits (if any), bond payments, LP and GP asset management fee payments, deferred developer fee payments (if any), and guaranty reimbursements (if any) due in the period.
8. SOURCE OF LOAN FUNDS: The Acquisition Loan will be financed through seller carry-back financing from the Housing Authority of the City of Sacramento. The Agency hereby acknowledges, agrees and represents that the Acquisition Loan shall be a below market interest rate loan for purposes of Labor Code Section 1720(c)(6)(E), and that such Acquisition Loan shall not trigger prevailing wage. This Acquisition Loan is conditioned upon Borrower's acceptance of Agency's requirements and conditions related to its

lending programs, including among others, the required forms of agreements for the Acquisition Loan; the requirements for covenants, conditions and restrictions upon the Property; and insurance and indemnity requirements, all as mutually agreed to by Agency and Borrower.

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

_____ (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 a promissory note secured by a deed of trust with assignment of rents against the leasehold interest in the Improvements, which shall be a subordinate lien upon the Improvements subject only to other items as the Agency may approve in writing. The Agency will 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; 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 \$7,600,000 in Low Income Housing Tax Credit Equity and no less than \$3,900,000 in mortgage revenue bond financing at a rate and terms acceptable to the Agency.
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. Such commitments for financing shall not require modification of Agency loan documents, or any term of this commitment letter. Such commitments shall not be based upon sources and uses of Project funds that are different from those approved by Agency for the project or be subject to conditions which require amendment of other Agency 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. FINANCING IN BALANCE: Borrower will be required to maintain the financing "in balance". The financing 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 financing is not "in balance", the Agency may declare the Loan to be in default.
18. PLANS AND SPECIFICATIONS: Final plans and specifications for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the disbursal of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the project.
19. ARCHITECTURAL AGREEMENT: The architectural agreement ("Agreement") for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
20. CONSTRUCTION CONTRACT: The construction contract ("Contract"), and any change orders issued thereunder, and the contractor ("Contractor") to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Contract as security for the Loan.
21. RETENTION AMOUNT: The Agency shall require that the construction lender 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 construction 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.

23. 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.
24. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than 24 months following the close of construction financing.
25. 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).
26. 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.
27. 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.

28. 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.
29. 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.
30. 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.
31. 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.
32. 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.
33. 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 15 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.

34. 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.
35. 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.
36. 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.
37. 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.

Sincerely,
Housing Authority of the City of Sacramento

La Shelle Dozier
Executive Director

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

BORROWER:

Sacramento Housing Authority Repositioning Program, Inc.

By: _____
James Shields
President

Dated: _____

BRIDGE Housing Corporation

By: _____
Ann Silverberg

Senior Vice President

Dated: _____

RESOLUTION NO. _____

Adopted by the Sacramento City Council

on the date of

**WASHINGTON PLAZA: APPROVING HOUSING AUTHORITY ISSUANCE OF
TAX-EXEMPT OBLIGATIONS AND DIRECTING CERTAIN ACTIONS**

BACKGROUND

- A. The Housing Authority of the City of Sacramento (the "Issuer") intends to execute and deliver tax-exempt obligations in an principal amount not to exceed \$14,000,000 (the "Obligations") for the purpose, among other things, of making a loan to Washington Plaza Housing Associates, LP a California limited partnership, the proceeds of which shall be used to finance the acquisition and rehabilitation of a 76-unit multifamily housing facility located at 1318 E Street in the City of Sacramento, California (the "Project").
- B. The Issuer is authorized by Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California to issue and sell revenue obligations for the purpose of financing the acquisition, construction/rehabilitation and development of multifamily rental housing facilities to be occupied in part by low and/or very low income tenants.
- C. In order for the Obligations to be considered "qualified exempt facility bonds" under Section 142(a) of the Internal Revenue Code of 1986, as amended (the "Code"), Section 147(f) of the Code requires that the "applicable elected representatives" of the area in which the Project is to be located hold a public hearing on and approve the execution and delivery of the Obligations.
- D. This City Council is the elected legislative body of the City.
- E. A notice of public hearing in a newspaper of general circulation in the City has been published, to the effect that a public hearing would be held by this City Council regarding the execution and delivery of the Obligations by the Issuer and the nature and location of the Project.
- F. This City Council held said public hearing on the published date, at which time an opportunity was provided to present arguments both for and against the execution and delivery of the Obligations and the nature and location of the Project.
- G. It is in the public interest and for the public benefit that the City approve the execution and delivery of the Obligations for the purpose of financing the acquisition and rehabilitation of the Project.

H. The City shall not have any liability for the repayment of the Obligations or any responsibility for the Project.

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

Section 1. The City hereby finds and determines that the foregoing recitals are true and correct.

Section 2. Solely for the purpose of fulfilling the requirement of Section 147(f) of the Code, the City hereby approves the Housing Authority's execution and delivery of the Obligations.

Section 3. This resolution shall take effect upon its adoption.

RESOLUTION NO. 2013 - __

Adopted by the Housing Authority of the City of Sacramento

WASHINGTON PLAZA: DECLARING INTENTION TO REIMBURSE EXPENDITURES FROM THE PROCEEDS OF TAX-EXEMPT OBLIGATIONS AND DIRECTING CERTAIN ACTIONS

BACKGROUND

- A. The Housing Authority of the City of Sacramento (the "Issuer") intends to execute and deliver tax-exempt obligations in a principal amount not to exceed \$14,000,000 (the "Obligations") for the purpose of making a loan to Washington Plaza Housing Associates, LP a California limited partnership ("Developer"), the proceeds of which shall be used to finance the acquisition and rehabilitation of a 76-unit multifamily housing facility commonly known as Washington Plaza Apartments (the "Project"). The Project is located at 1318 E Street in the City of Sacramento, California (the "Project");
- B. United States Income Tax Regulations section 1.103-18 provides generally that proceeds of tax-exempt debt are not deemed to be expended when such proceeds are used for reimbursement of expenditures made prior to the date of execution and delivery of such debt unless certain procedures are followed, among which is a requirement that (with certain exceptions), prior to the payment of any such expenditure, the issuer must declare an intention to reimburse such expenditure; and
- C. It is in the public interest and for the public benefit that the Authority declare its official intent to reimburse the expenditures referenced herein;

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

- Section 1. The Authority intends to execute and deliver the Obligations for the purpose of paying the costs of financing the acquisition and rehabilitation of the Project.
- Section 2. The Authority hereby declares that it reasonably expects that a portion of the proceeds of the Obligations will be used for reimbursement of expenditures for the acquisition and rehabilitation of the Project that are paid before the date of initial execution and delivery of the Obligations.
- Section 3. The maximum amount of proceeds of the Obligations to be used for reimbursement of expenditures for the acquisition and rehabilitation of the Project that are paid before the date of initial execution and delivery of the Obligations is not to exceed \$14,000,000.

- Section 4. The foregoing declaration is consistent with the budgetary and financial circumstances of the Authority in that there are no funds (other than proceeds of the Obligations) that are reasonably expected to be (i) reserved, (ii) allocated or (iii) otherwise set aside, on a long-term basis, by or on behalf of the Authority, or any public entity controlled by the Authority, for the expenditures for the acquisition and rehabilitation of the Project that are expected to be reimbursed from the proceeds of the Obligations.
- Section 5. The Developer shall be responsible for the payment of all present and future costs in connection with the execution and delivery of the Obligations, including, but not limited to, any fees and expenses incurred by the Authority in anticipation of the execution and delivery of the Obligations, the cost of printing any official statement, rating agency costs, bond counsel fees and expenses, underwriting discount and costs, trustee fees and expense, and the costs of printing the Obligations. The payment of the principal, redemption premium, if any, and purchase price of and interest on the Obligations shall be solely the responsibility of the Developer. The Obligations shall not constitute a debt or obligation of the Authority.
- Section 6. The appropriate officers or staff of the Authority are hereby authorized, for and in the name of and on behalf of the Authority, to make an application to the California Debt Limit Allocation Committee for an allocation of private activity bonds for the financing of the Project.
- Section 7. The adoption of this Resolution shall not obligate (i) the Authority to provide financing to the Developer for the acquisition and rehabilitation of the Project or to execute and deliver the Obligations for purposes of such financing; or (ii) the Authority, or any department of the Authority or the City of Sacramento to approve any application or request for, or take any other action in connection with, any environmental, General Plan, zoning or any other permit or other action necessary for the acquisition, rehabilitation or operation of the Project.
- Section 8. This resolution shall take effect immediately upon its adoption.

RESOLUTION NO. 2013 –
Adopted by the Sacramento City Council

on the date of

**WASHINGTON PLAZA APARTMENTS REHABILITATION (“PROJECT”):
APPROVAL OF CITY HOME INVESTMENT PARTNERSHIP PROGRAM (“HOME”)
LOAN COMMITMENT NOT TO EXCEED \$2,568,000; APPROVAL OF CITY
COMMUNITY DEVELOPMENT BLOCK GRANT LOAN COMMITMENT OF \$552,000;
EXECUTION OF RELATED LOAN COMMITMENTS AND RELATED DOCUMENTS
WITH WASHINGTON PLAZA HOUSING ASSOCIATES, LP, OR RELATED ENTITY;
AND RELATED BUDGET AMENDMENTS**

BACKGROUND

- A. Washington Plaza Housing Associates, LP, (“Developer”) is a single-asset tax credit investment partnership formed to finance and rehabilitate the Washington Plaza Senior Apartments. The Developer’s managing general partner is Washington Plaza Housing Associates LLC whose members are Sacramento Housing Authority Repositioning Program, Inc. (“SHARP”) and an affiliate of BRIDGE Housing Corporation (“BRIDGE”). Developer has applied for an allocation of Three Million One Hundred Twenty Thousand Dollars (\$3,120,000) comprised of not more than \$2,568,000 of City Home Investment Partnership Program (“HOME”) funds and \$552,000 of City Community Development Block Grant Multifamily Residential (“CDBG”) funds (“Loan Commitment”) to provide permanent financing of the 76-unit Washington Plaza senior apartment rehabilitation project (“Washington Plaza” or “Project”) at 1318 E Street.
- B. SHARP and BRIDGE have entered into a ground lease and purchase option to acquire the Project.
- C. The Project qualifies for HOME and CDBG funds under the Sacramento Housing and Redevelopment Agency (“Agency”) guidelines.
- D. The Developer has also applied for rehabilitation and construction financing in the form of seller financing (“Carryback Loan Commitment”) from the Agency on behalf of the Housing Authority of the City of Sacramento (“Housing Authority”) in an amount of \$5,458,000 as justified by fair market value appraisal.
- E. Underwriting analysis of funding needed to comprehensively rehabilitate Washington Plaza for continued service life indicates the need for the gap financing being sought by the Developer.

F. The Agency has considered environmental impacts of the project in accordance with California Environmental Quality Act (CEQA) and has determined that the Project is exempt due to CEQA §15301, where rehabilitation to the existing facility involves no expansion or change to the existing use. Review under the National Environmental Policy Act (NEPA) 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. All of the evidence having been duly considered, the findings, including the environmental findings, as stated above, are approved.

Section 2. The Loan Commitment letter, attached as Exhibit A, for financing the Project with up to \$2,568,000 of City HOME funds and \$552,000 of CDBG funds is approved, and the Sacramento Housing and Redevelopment Agency (Agency) is delegated authority to execute and transmit the Loan Commitment to the Developer.

Section 3. The Agency is authorized to enter into and execute other documents, as approved to form by Agency Counsel, and perform other actions necessary to fulfill the intent of each loan commitment that accompanies this resolution, in accordance with the terms of each, and to ensure proper repayment of the Agency funds including without limitation, subordination, extensions, and restructuring of such a loan consistent with Agency adopted policy and with this resolution.

Section 4. The Agency is authorized to amend the Agency budget and allocate up to \$2,568,000 in City HOME funds to the Project.

Section 5. The Agency is authorized to amend the Agency budget and allocate up to \$552,000 in City CDBG funds to the Project

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Exhibit A – Loan Commitment Letter

September 10, 2013

James Shields, President
Sacramento Housing Authority Repositioning Program, Inc. ("SHARP")
801 12th Street, 5th Floor
Sacramento, CA 95814

Ann Silverberg, Senior Vice President
BRIDGE Housing Corporation
345 Spear Street, 7th Floor
San Francisco, CA 94105

RE: Conditional funding commitment, Washington Plaza Senior Apartments, 1318 E Street,
Sacramento, CA

Dear Mr. Shields and Ms. Silverberg:

On behalf of the Sacramento Housing and Redevelopment Agency ("Agency"), we are pleased to advise you of its commitment of permanent loan funds ("Loan") comprised of \$552,000 in City Community Development Block Grant Multifamily ("CDBG") funds and \$2,568,000 in City Home Investment Partnership Program ("HOME") funds for the purpose of financing the rehabilitation of that certain real property located at 1318 E Street, 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 loan terms not in this funding commitment and the attached loan document forms shall be included in the final loan documents without additional environmental review and governing board approval. 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 September 1, 2014.

Exhibit A

1. PROJECT DESCRIPTION: The project is the acquisition and comprehensive rehabilitation of the existing, nine-story, 76-unit, Washington Plaza Senior Apartments. One apartment unit will be an unrestricted manager's unit, and the remaining 75 apartments will be restricted to seniors earning less than 50 percent of the area median income ("AMI").
2. BORROWER: The name of the Borrower for the Loan is Washington Plaza Housing Associates, LP or a similarly named related entity in which the general partner will initially be a limited liability company comprised of Sacramento Housing Authority Repositioning Program, Inc. ("SHARP") and an affiliate of BRIDGE Housing Corporation.
3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely to pay the costs of 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) Three Million One Hundred Twenty Thousand (\$3,120,000), or (b) an amount to be determined prior to close of the Loan based on a project budget approved by Agency.
5. TERM OF LOAN: The unpaid balance of the Loan will be all due and payable at a maturity date of 55 years (660 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 will bear interest at Zero Percent (0%) per annum. Interest shall be calculated on the basis of a 365-day year and actual days elapsed.
7. LOAN REPAYMENT: Monthly installments shall be made according to the structured payment schedule contained in the final Loan Agreement, calculated to achieve annual 1.2 debt coverage ratio. Monthly payments shall be applied first to outstanding interest accrued and unpaid and then to principal. All outstanding principal and interest is due and payable on the maturity date. Notwithstanding the preceding payment schedule, no payments shall be made on this Loan until the full balance of principal and interest on the seller carryback loan made by the Housing Authority of the City of Sacramento to the Borrower pursuant to a commitment letter dated the same date as this commitment letter is paid in full.
8. SOURCE OF LOAN FUNDS: Agency is making the Loan from the following sources of funds, and the Loan is subject to all requirements related to the use of such, whether

Exhibit A

Agency requirements or otherwise: a) City Community Development Block Grant Multifamily (“CDBG”) funds; and b) City Home Investment Partnership Program (“HOME”) funds. 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. 3701-3708); (24 C.F.R. 92.354). Borrower also acknowledges that any project containing a “subsidy” may be subject to state prevailing wages, which are the responsibility of the Borrower and Borrower’s contractor.

_____ (Borrower Initial)

9. 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.
10. 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 second lien upon the Property and Improvements subject only to the tax-exempt permanent loan and such other items as the Agency may approve in writing. The Loan shall also be secured by security agreements. The Agency may

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subordinate said deeds of trust in order to accommodate completion of rehabilitation of the Property.

11. LEASE AND RENTAL SCHEDULE: The 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 Borrower's application 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.
12. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$7,600,000 in Low Income Housing Tax Credit Equity.
13. 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 seller carryback loan financing in an amount equal to appraised value of the improved real property.
 - (c) Commitments for permanent financing sufficient to "take out" all liens senior to the Agency's lien.

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

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

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14. 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 absolute 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.
15. SOILS AND TOXIC REPORTS: Borrower must submit to Agency and 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.
16. 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.
17. PLANS AND SPECIFICATIONS: Final plans and specifications for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the disbursal of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the project.
18. 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.
19. 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

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may require an assignment of Borrower's interest in and to the Contract as security for the Loan.

20. 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.
21. 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.

22. 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.

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23. 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.
24. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than 24 months following the close of construction financing.
25. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage 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).
26. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain public liability and property damage insurance (with Agency named as additional insured) in a form approved by Agency. Coverage must be approved by Agency and must be in at least the following limits of liability: (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.
27. TITLE INSURANCE: Borrower must procure and deliver to Agency a 2006 ALTA Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to CLTA endorsement nos. 100, 116, and /102.7 insuring Agency in an amount equal to the principal amount of the Loan, that Agency's Deed of Trust constitutes a second 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.

28. 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.
29. PURCHASE OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.
30. 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.
31. 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.
32. 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.
33. RENEWABLE ENERGY REBATES: Borrower represents that, consistent with its installation of photovoltaic generating equipment at the Property, it is applying for rebates

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from the appropriate utilities. If rebates are received, Agency may, in its sole discretion, reduce the amount of its Loan by an amount up to the amount of rebates received.

34. 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 15 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.
35. 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.
36. 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.
37. 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.
38. 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.

Sincerely,

LaShelle Dozier
Executive Director

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

BORROWER:
Sacramento Housing Authority Repositioning Program, Inc.

By: _____
James Shields
President

Dated: _____

BRIDGE Housing Corporation

By: _____
Ann Silverberg
Senior Vice President

Dated: _____