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REPORT TO CITY COUNCIL
City of Sacramento
915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

Review
February 18, 2014

Honorable Mayor and Members of the City Council

Title: Approval of Increased Agency Loan for the Curtis Park Court Apartments

Location/Council District: Intersection of 24th Street and 10th Avenue, Curtis Park Village, Council District 5

Issue: This report recommends an increase to an Agency loan to provide construction and permanent financing for the Curtis Park Court Apartments

Recommendation: Review report: a) authorizing an additional $2,200,000 City Home Investment Partnership (HOME) to the existing Sacramento Housing and Redevelopment Agency (Agency) loan commitment for the Curtis Park Court (Project) increasing the total loan commitment amount to $4,000,000, b) authorizing the Agency to execute a conditional commitment letter and loan documents with Domus Development, LLC, or related entity for $4,000,000, c) making the related budget amendments, and d) continuing the item to February 25, 2014 for approval.

Contact: Christine Weichert, Assistant Director, Development Finance 440-1353
Jeree Glasser-Hedrick, Analyst, Development Finance, 449-6247

Presenters: Jeree Glasser-Hedrick

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: The City of Sacramento received Proposition 1C Transit-Oriented Development (TOD) funds in June of 2009 for the Curtis Park Village project. The grant provided funds to build infrastructure in exchange for the development of affordable housing. Petrovich Development Company, under its affiliate Calvine & Elk Grove Florin, LLC (Master Developer), has entered into an agreement with Domus Development, LLC (Developer) to ensure the affordable housing is developed. The Developer proposed to finance and construct the 91-unit Curtis Park Court Apartment project (Project) to satisfy the TOD requirement.

On June 11, 2013, the City of Sacramento authorized the Agency to provide a $1,800,000 loan commitment to the Project utilizing City HOME funds. In July of 2013, the Developer submitted a competitive nine percent low income housing tax credit (LIHTC) application to the California Tax Credit Allocation Committee (TCAC) for the Project. Unfortunately, the Developer was not successful in receiving a credit allocation.

Since the Developer's TCAC submittal in June, a number of economic changes have affected the project's financial feasibility. In the last nine months interest rates have increased more than a percentage point. Additionally, TCAC approved rents have decreased and the Agency's utility allowances have increased. Together these issues have decreased the permanent loan amount by $450,000. Lastly, construction costs have increased by $2,500,000 million due to federal prevailing wages now being required. To address these increases, the developer has deferred an additional $75,000 of developer fee and is utilizing sewer fee credits from the City of Sacramento. To fill the remaining gap, the Developer is requesting additional tax credit equity and $2,200,000 in Agency funds. Staff is seeking Council approval for an additional $2,200,000 in HOME funds to be added to the approved Agency loan commitment for a total loan amount of $4,000,000. The Developer will resubmit a nine percent tax credit application in March. If the tax credits are awarded, construction will begin in the fall.

In addition to the proposed Agency loan, the Project is anticipated to be funded with nine percent Low Income Housing Tax Credits (LIHTC's), a bank loan, sewer waivers, and a deferred developer fee. The Low Income Housing Tax Credits and Agency loan together will require that 11 units be affordable to seniors earning 30 percent or less of area median income (AMI), 19 units to seniors earning 40 percent or less of AMI, 37 units to seniors earning 50 percent or less of AMI and 23 units to seniors earning 60 percent or less 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 and a schedule of maximum rents are included as Attachments 5 and 6.

Policy Considerations: The recommended actions are generally consistent with the Agency's previously approved multifamily lending and mortgage revenue bond guidelines. Loan amount requirements have been adjusted to make the project more competitive for the nine percent tax credit financing.

Economic Impacts: This multifamily residential project is expected to create 185.8 total jobs (104.3 direct jobs and 81.5 jobs through indirect and induced activities) and create $25,762,639 in total economic output ($15,832,636 of direct output and another $9,930,003 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 recommended actions in this staff report increase the dollar amount of a previously approved loan. There is no change in the scope of the project as analyzed in the Environmental Impact Report as certified by the City of Sacramento on September 28, 2010 for Curtis Park Village Project, and reviewed, approved and adopted by the Agency on May 29, 2013. Because there is neither any new information of substantial importance nor any substantial changes with respect to the circumstances under which the project will be undertaken that would require preparation of supplemental environmental documentation, the recommended actions do not require further environmental review per State CEQA Guidelines §§ 15162 or 15163.

Sustainability Considerations: The Project has been reviewed for consistency with the goals, policies and targets of the Sustainability Master Plan and the 2030 General Plan. If approved, the project will advance the following goals, policies and targets as follows: (1) Goal number one – Energy Independence, specifically by reducing the use of fossil fuels, improving energy efficiency, and providing long-term affordable and reliable energy; (2) Goal number three – Air Quality, specifically by reducing the number of commute trips by single occupancy vehicles and reducing vehicle miles traveled; (3) Goal number five – Public Health and Nutrition, specifically by maximizing the number of amenities that are located within ½ mile of all residents and cleanup, redevelopment, and reuse of areas that are Brownfield; and (4) Goal number six – Urban Design, Land Use, Green Building, and Transportation specifically by reducing dependence on the private automobile by providing efficient and accessible public transit and transit-supportive land uses, reducing long commutes by providing a wide array of transportation and housing choices near jobs for a balanced, healthy City.

Other: A request for Release of Funds and Certification was submitted to the United States Department of Housing and Urban Development (HUD) on June 27, 2013 and the Authority to Use Grant Funds was signed by HUD on July 19, 2013. This staff report contemplates additional HOME funds to be provided to the project but there are no changes in the scope of the project. After review, it has been determined under 24 CFR 58 Part E that that the original environmental findings in the environmental

assessment are still valid and that there has been no change in the data or the conditions underlying those findings, as there are no substantial changes in the nature, magnitude or extent of the project and no new activities that were not anticipated in the original scope of the project have been added to the project and furthermore, there are no new circumstances and environmental conditions which may affect the project or have a bearing on its impact.

Commission Action: It is anticipated that, at its meeting of February 19, 2014, the Sacramento Housing and Redevelopment Commission will approve the staff recommendation for this item. Staff will notify the Council in the event this does not occur.

Rationale for Recommendation: The recommended actions are necessary for the project's feasibility expected to satisfy the affordability requirements of the City of Sacramento's Proposition 1C Transit-Oriented Development (TOD) Infrastructure grant for Curtis Park Village and are consistent with the Agency's previously approved multifamily lending policy. Regulatory restrictions on the property are specified in a Regulatory Agreement between the Developer and the Agency. Compliance with the Regulatory Agreement will be monitored by the Agency on a regular basis.

Financial Considerations: Staff recommends providing an additional $2,200,000 of City HOME funds increasing the Agency Loan from $1,800,000 to $4,000,000. A loan commitment letter is included as Exhibit A of the attached Resolution.

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Approval of Increased Agency Loan for Curtis Park Court Apartments

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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Approved as to form:

_____
Agency Counsel

APPROVED AS TO FORM:

_____
CITY ATTORNEY

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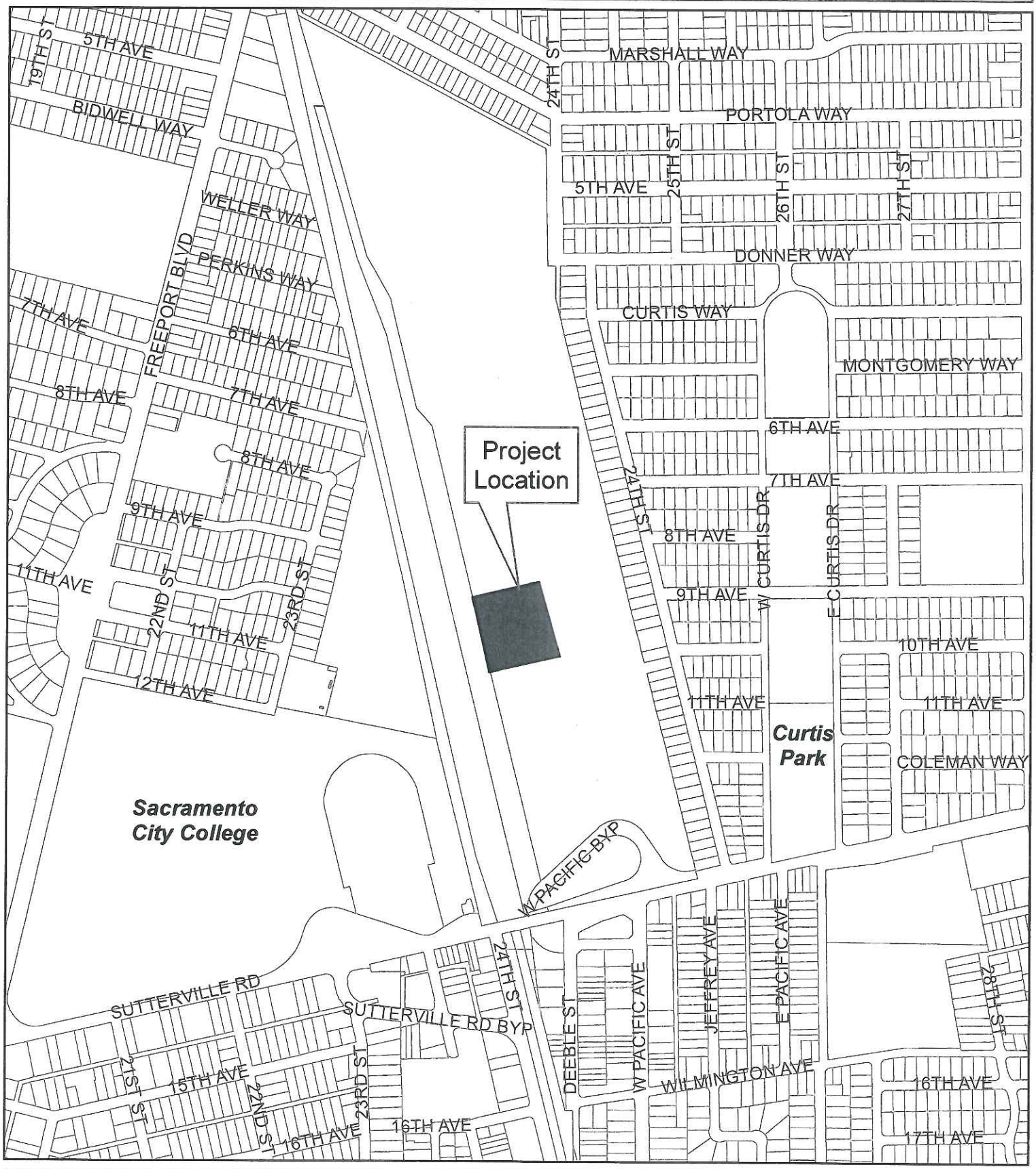
SHRA

Curtis Park Court



Curtis Park Court

Feet
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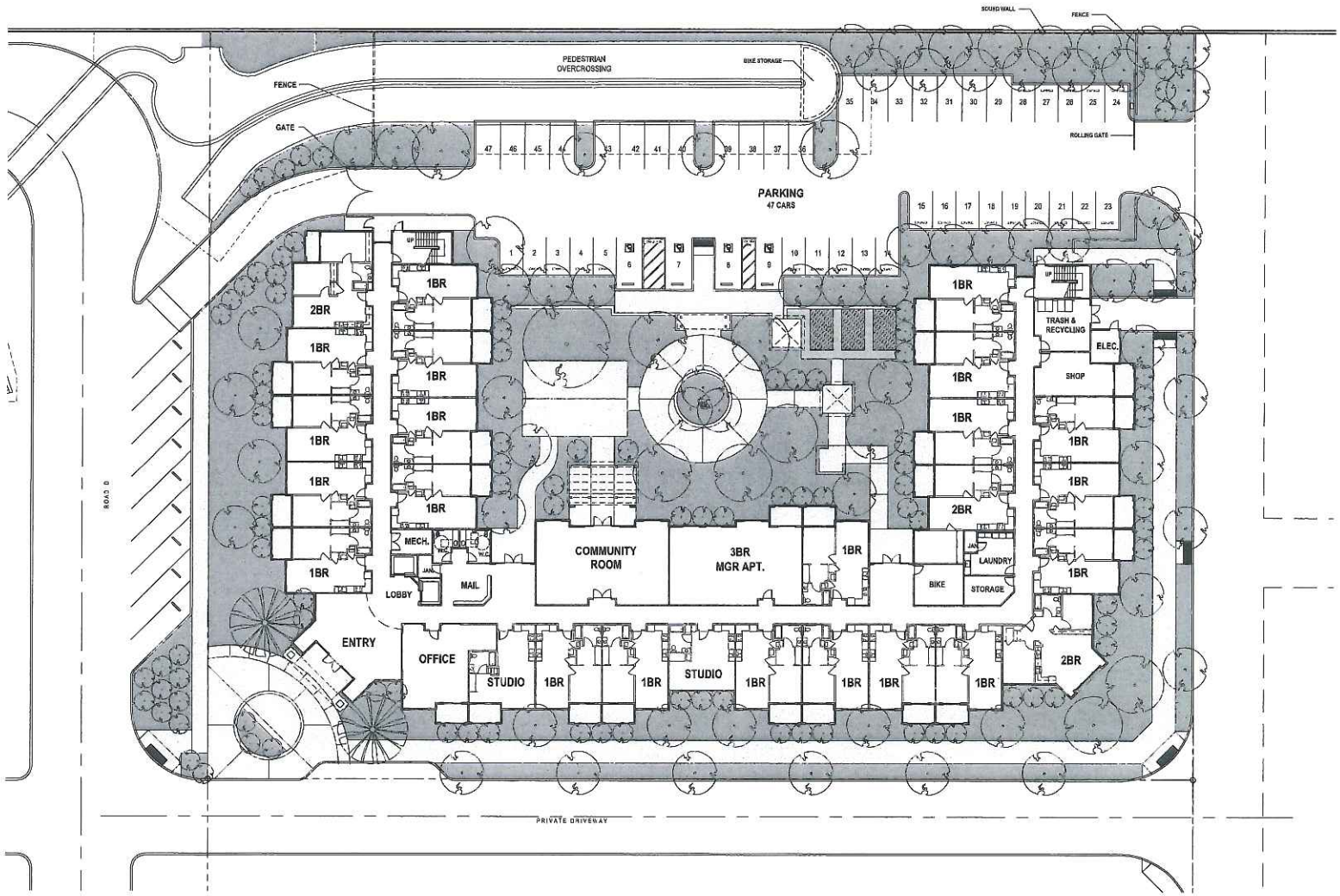
SHRA GIS
May 13, 2013



GROUND FLOOR PLAN & SITE PLAN

YHLA ARCHITECTS

Curtis Park Court

Sacramento, California

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Curtis Park Court Apartments
Background Information

History: On June 11, 2013 City of Sacramento approved the Curtis Park Court project and a $1,800,000 loan from the Sacramento Housing and Redevelopment Agency. The project was submitted to the California Tax Credit Allocation Committee (TCAC) for nine percent Low Income Housing Tax Credits (LIHTC) funding in July of 2013 but was unsuccessful. In the last nine months a number of economic factors have changed. Interest rates have increased more than a percentage point. Additionally, TCAC approved rents have decreased and the Agency's utility allowances have increased. Together these issues have decreased the permanent loan amount by $450,000. Lastly, construction costs have increased by $2,500,000 million due to federal prevailing wages now being required. To address these increases, the developer has deferred an additional $75,000 of developer fee and is utilizing sewer fee credits from the City of Sacramento. To fill the remaining gap, the Developer is requesting additional tax credit equity and $2,200,000 in Agency funds. The Developer will resubmit a nine percent funding application in March. If tax credits are awarded, construction will begin this fall.

Description of Development: The Curtis Park Court project consists of the new construction of a three-story building totaling approximately 96,030 square feet on approximately 2 acres of undeveloped land near the future intersection of 24th Street and 10th Avenue in the Curtis Park Village subdivision in Sacramento. The property will include on-site parking, management office, and community space for resident services and activities. The building will include 91 studio, one- and two-bedroom residential units for seniors and one three-bedroom manager's unit. Twelve (12) percent of the units will be affordable to residents with incomes at or below 30% of the area median income, twenty one (21) percent of the units will be affordable to residents with incomes at or below 40% of the area median income, forty (40) percent of the units will be affordable to residents with incomes at or below 50% of the area median income, and twenty-seven (27) percent of the units will be affordable to residents with incomes at or below 60% of the area median income.

Each unit will contain a full kitchen including dishwashers, full bathroom, living/dining area, centralized high-efficient heating and cooling air systems, and energy efficient appliances. Flooring will include carpet and vinyl flooring. Most units will have a private patio or balcony. All units have been designed to be fully accessible or adaptable, thereby allowing for aging in place. There will be a minimum of 5 units which will be accessible for persons with mobility impairments. There will be a minimum of 2 additional units which will be adaptable for persons with sensory impairments. All common areas will be accessible in accordance with the Americans with Disabilities Act (ADA).

The project includes a community area of approximately 1,300 square feet on the ground floor for hosting resident services and events. A common laundry area will be located on each floor with additional lounge areas provided on both the second and third floors. An elevator will service all three levels of the project in order to assure easy

access for all residents and guests. The site will be well landscaped and incorporate accessible pathways around the building to aid access. A total of 48 surface parking spaces will be provided including three ADA accessible and one van accessible.

This building will be the first development within the Curtis Park Village transit oriented development. The property is a significant infill development located near a variety of amenities, including a Sacramento Regional Transit light rail station, Sacramento City College, Curtis Park, and Land Park. The building is designed to be appropriate in scale and style with the surrounding neighborhood while also marking an area of new development and investment. Following the development of this key building, the Curtis Park Village subdivision will also include a park, single family homes, and neighborhood-serving retail with a grocery anchor tenant.

Proposition 1C TOD Infrastructure Grant: On June 30, 2009, the City was awarded a TOD grant by HCD in the amount of $9,085,000 for the Curtis Park Village project. The amount of the grant award was based on a number of factors, including the number of affordable housing units, the planned bridge to the City College light rail station, and the total number of market rate housing units.

On March 26, 2013 the City Council approved a Standard Agreement and a Disbursement Agreement with HCD. The HCD grant agreements allow the City to provide the Proposition1C grant funds to the Master Developer as the grant sub recipient for the infrastructure work, which includes grading, streets and utilities, and the planned neighborhood park. The City Council also approved an Assignment and Assumption Agreement with the Master Developer who assumed all of the City's obligations under the TOD grant.

The Standard Agreement currently approved by HCD requires 83 one-bedroom units affordable at 40 % AMI and 7 two-bedroom units affordable at 35% of AMI. The new Curtis Park Court project's unit counts and affordability ranges meet the HCD Program Guidelines dated February 4, 2009 ("Guidelines"), and HCD has indicated they are willing to approve the changes and amend the Standard Agreement if the project is successful in securing a 9 percent tax credit allocation.

Developer: The project is to be owned and developed by Domus Development, L.L.C. (Domus) or a related entity. Domus has extensive experience in the development, renovation, and operation of multifamily housing in Northern California. Domus was formed in 2003 and has ten completed projects including the La Valentina Apartments which provided 81 affordable units adjacent to the La Valentina/Alkali Flat light rail station and the recently completed Kelsey Village on Stockton Boulevard.

Property Management: Curtis Park Court Apartments is to be managed by Domus Management Company, an affiliate of the developer. Domus Management has broad experience managing tax credit projects and currently has ten affordable projects under management including 636 units. Agency staff has reviewed the management plan, including daily operations, leasing procedures, maintenance, and eviction procedures, and has found that the proposed management company meets the Agency's requirements for property management.

Resident Services: Resident services are to be provided by LifeSTEPS, a division of Riverside Charitable Corporation. LifeSTEPS' mission is to strengthen families and communities through programs with a focus on life skills training, education and supportive services for children, families and seniors. LifeSTEPS is an experienced social service provider and is already working at several affordable projects in Sacramento. LifeSTEPS has submitted a complete resident services plan for Agency approval detailing the scope and schedule of services to be provided. A minimum of 15 hours per week of resident services will be provided.

Project Financing: Curtis Park Court Apartments is proposed to be financed primarily with nine percent LIHTC. Construction and permanent financing will be provided by a bank loan and the remainder of the financing will be provided by the Agency HOME loan of $4,000,000 ($1,800,000 was approved in June of 2013 and the additional $2,200,000 is currently being requested) and a deferred developer fee.

Low-income Set-aside Requirements: The project will be layered with affordability requirements required by the various public funding sources. These sources and their affordability requirements are summarized in the following table.

Funding	**Affordability Restrictions**	**No. Units Covered**	**Regulatory Term**
Prop 1C, Low Income Housing Tax Credits	Extremely Low-Income (30% AMI)	11	55 years
	Very Low-Income (40% AMI)	19	55 years
Prop 1C, Low Income Housing Tax Credits, Agency HOME Loan	Very Low-Income (50% AMI)	37	55 years
	Low-Income (60% AMI)	23	55 years
Manager Unit	Unrestricted	1	

Mixed Income Housing Ordinance: The Curtis Park Village project is included in the City's Mixed Income Housing Ordinance, which requires that a minimum of 10% of the residential units to be affordable to very low income households and 5% of the residential units be to affordable to low income households.

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Curtis Park Court Apartments
Residential Project Financial Summary

Address	24th Street and 10th Avenue
Number of Units	91
Year Built	New Construction
Acreage	2.0 acres
Affordability	11 units (12%) at or below 30% of AMI 19 units (21%) at or below 40% of AMI 37 units (40%) at or below 50% of AMI 23 units (27%) at or below 60% of AMI 1 Manager Unit

Unit Mix and Rents	(30% AMI)	(40% AMI)	(50% AMI)	(60% AMI)	Manager
Studio	1	1	2		
1 Bedroom / 1 Bath	8	15	30	21	
2 Bedroom / 1 Bath	2	3	5	2	
3 Bedroom / 2 Bath					1
Total	11	19	37	23	1

Square Footage	*Per Unit*	*Total*	
Studio	580	2,320	square feet
1 BR / 1 BA	648	47,952	square feet
2 BR / 1 BA	855	10,260	square feet
Manager's 3 BR / 2 BA	1100	1,100	square feet
Total		61,632	square feet

Resident Facilities

The project will include a community garden, gazebos, and a clubhouse. The clubhouse will include a full kitchen.

Permanent Sources	*Current Total*	*Per Unit*	*Per Sq Ft*
Conventional Loan	$ 1,110,000	$ 12,198	$ 18.01
Tax Credit Equity	$ 16,806,309	$ 184,685	$ 272.69
Existnig Agency Loan	$ 1,800,000	$ 19,780	$ 29.21
New Agency Loan	$ 2,200,000	$ 24,176	
Sewer Fee Credits	$ 100,532	$ 1,105	$ 1.63
Off-Site Costs	$ 692,100	$ 7,605	$ 11.23
Land Donation	$ 4,000,000	$ 43,956	$ 64.90
Deferred Developer Fee	$ 348,588	$ 3,831	$ 5.66
TOTAL SOURCES	$ 27,057,529	$ 297,335	$ 403
Permanent Uses			
Site Acqusition	$ 4,692,100	$ 51,562	$ 76.13
Construction	$ 13,472,430	$ 148,049	$ 218.59
Site Improvements	$ 1,347,540	$ 14,808	$ 21.86
Development Impact Fees/Permits	$ 847,128	$ 9,309	$ 13.74
Architecture, Engineering, Survey	$ 733,699	$ 8,063	$ 11.90
Contingency	$ 1,718,783	$ 18,888	$ 27.89
Financing Costs	$ 1,173,819	$ 12,899	$ 19.05
Reserves	$ 285,031	$ 3,132	$ 4.62
Legal Fees	$ 60,000	$ 659	$ 0.97
Developer Fee	$ 2,000,000	$ 21,978	$ 32.45
Insurance, Third Party, Marketing, Other	$ 726,999	$ 7,989	$ 11.80
TOTAL USES	$ 27,057,529	$ 297,335	$ 439

Management / Operations		
Proposed Developer:	Domus, LLC	
Property Management Company:	Domus Property Management Company	
Operations Budget:	$462,289	$5,080
Replacement Reserves:	$27,300	$300

Cash Flow Proforma

Curtis Park Court
Senior Apartments

Unit Type	Number	Square Feet	Total Sq Feet	Gross Rent	Utility Allowance	Net Rent	Rent per Sq Foot	Total Mo. Rent	Annual Rent
Studio / 1 BA @ 30% AMI	1	575	575	$ 360	$ 40	$ 320	$ 0.56	$ 320	$ 3,840
Studio / 1 BA @ 40% AMI	1	575	575	$ 481	$ 40	$ 441	$ 0.77	$ 441	$ 5,292
Studio / 1 BA @ 50% AMI	2	575	1,150	$ 601	$ 40	$ 561	$ 0.98	$ 1,122	$ 13,464
1 BD / 1 BA @ 30% AMI	8	650	5,200	$ 386	$ 52	$ 334	$ 0.51	$ 2,672	$ 32,064
1 BD / 1 BA @ 40% AMI	15	650	9,750	$ 515	$ 52	$ 463	$ 0.71	$ 6,945	$ 83,340
1 BD / 1 BA @ 50% AMI	30	650	19,500	$ 644	$ 52	$ 592	$ 0.91	$ 17,760	$ 213,120
1 BD / 1 BA @ 60% AMI	21	650	13,650	$ 773	$ 52	$ 721	$ 1.11	$ 15,141	$ 181,692
2 BD / 1 BA @ 30% AMI	2	820	1,640	$ 464	$ 63	$ 401	$ 0.49	$ 802	$ 9,624
2 BD / 1 BA @ 40% AMI	3	820	2,460	$ 619	$ 63	$ 556	$ 0.68	$ 1,668	$ 20,016
2 BD / 1 BA @ 50% AMI	5	820	4,100	$ 773	$ 63	$ 710	$ 0.87	$ 3,550	$ 42,600
2 BD / 1 BA @ 60% AMI	2	820	1,640	$ 928	$ 63	$ 865	$ 1.05	$ 1,730	$ 20,760
Manager's Units	1	1200	1,200	$ -	$ -	$ -	$ -	$ -	$ -
Totals/Averages	91	675	61,440	$ 625	$ 53	$ 632	$ 0.85	$ 52,151	$ 625,812

Income	rate	annual increase	per unit	2016 Year 1	2017 Year 2	2018 Year 3	2019 Year 4	2020 Year 5	2025 Year 10	2030 Year 15	2035 Year 20	2040 Year 25	2045 Year 30
Potential Gross Income		2.50%		625,812	641,457	657,494	673,931	690,779	781,553	884,256	1,000,454	1,131,922	1,280,666
Other Income		2.50%		9,106	9,334	9,567	9,806	10,051	11,372	12,867	14,557	16,470	18,635
Less Vacancy	5.00%			31,746	32,540	33,353	34,187	35,042	39,646	44,856	50,751	57,420	64,965
Effective Gross Income				$603,172	$618,251	$633,708	$649,550	$665,789	$753,279	$852,266	$964,261	$1,090,973	$1,234,336
Operating Expenses			462,289										
Operating Expenses		3.50%	3,451	314,039	325,030	336,406	348,181	360,367	428,003	508,333	603,740	717,054	851,635
Taxes/Insurance		2.00%	426	38,750	39,525	40,316	41,122	41,944	46,310	51,130	56,451	62,327	68,814
Social Services		2.00%	603	54,900	55,998	57,118	58,260	59,426	65,611	72,439	79,979	88,303	97,494
Property Management		3.00%	600	54,600	56,238	57,925	59,663	61,453	71,241	82,587	95,741	110,991	128,668
Replacement Reserves			300	27,300	27,300	27,300	27,300	27,300	27,300	27,300	27,300	27,300	27,300
Total Expenses			5,380	$489,589	$504,091	$519,065	$534,526	$550,490	$638,464	$741,790	$863,212	$1,005,975	$1,173,912
Net Operating Income				**$113,583**	**$114,160**	**$114,643**	**$115,025**	**$115,300**	**$114,815**	**$110,477**	**$101,049**	**$84,998**	**$60,424**
Debt Service	amount	rate	amort										
Senior Loan	$1,100,000	6.01%	35	75,354	75,354	75,354	75,354	75,354	75,354	75,354	75,354	75,354	75,354
SHRA Monitoring Fee	$4,000,000	0.15%		6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Debt Service Subtotal				$81,354	$81,354	$81,354	$81,354	$81,354	$81,354	$81,354	$81,354	$81,354	$81,354
DCR on Senior Loan				1.40	1.40	1.41	1.41	1.42	1.41	1.36	1.24	1.04	0.74
Net Cash after Priority Distributions				$32,229	$32,806	$33,289	$33,671	$33,946	$33,462	$29,123	$19,695	$3,644	($20,930)
Deferred Developer Fee													
Principal Balance	$348,588	4.00%		348,588	330,302	310,708	289,847	267,770	141,521	0	0	0	
Interest for Period				13,944	13,212	12,428	11,594	10,711	5,661	0	0	0	0
Accumulated Interest				13,944	13,212	12,428	11,594	10,711	5,661	0	0	0	0
Payment				32,229	32,806	33,289	33,671	33,946	33,462	0	0	0	0
Balance				$330,302	$310,708	$289,847	$267,770	$244,535	$113,720	$0	$0	$0	$0
Net Cash after Deferred Developer Fee				$0	$0	$0	$0	$0	$0	$29,123	$19,695	$3,644	($20,930)
SHRA loan													
Principal Balance	$2,000,000	4.00%		2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Interest for Period				80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Accumulated Interest		$97,200		177,200	257,200	337,200	417,200	497,200	897,200	1,295,299	1,655,529	2,052,009	2,452,009
Payment				0	0	0	0	0	0	10,710	2,854	0	0
Balance				$2,177,200	$2,257,200	$2,337,200	$2,417,200	$2,497,200	$2,897,200	$3,284,589	$3,652,675	$4,052,009	$4,452,009

Attachment 5

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Attachment 6

MAXIMUM RENT AND INCOME LEVELS 2014

(Rents @ 30%,40%, 50%, and 60% of AMI where applicable)

Maximum Income Limits:				
Family Size	Max Income *30% AMI*	Max Income *40% AMI*	Max Income *50% AMI*	Max Income *60% AMI*
1 person	$14,430	$19,240	$24,050	$28,860
2 person	$16,500	$22,000	$27,500	$33,000
3 person	$18,570	$24,760	$30,950	$37,140

Maximum Rent Limits: Low Income Housing Tax Credits (LIHTC's)				
Unit Size	Gross Rent *30% AMI*	Gross Rent *40% AMI*	Gross Rent *50% AMI*	Gross Rent *60% AMI*
0 Bedroom	$360.00	$481.00	$601.00	$721.00
1 Bedroom	$386.00	$515.00	$644.00	$773.00
2 Bedroom	$464.00	$619.00	$773.00	$928.00

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RESOLUTION NO. 2014 –

Adopted by the Sacramento City Council

on the date of

CURTIS PARK COURT APARTMENTS PROJECT: AUTHORIZING AN ADDITIONAL $ 2,200,000 (CITY HOME INVESTMENT PARTNERSHIP FUNDS) TO CURTIS PARK COURT APARTMENT PROJECT, INCREASING THE LOAN COMMITMENT TO $4,000,000; EXECUTION OF COMMITMENT AND RELATED DOCUMENTS WITH DOMUS DEVELOPMENT, LLC OR RELATED ENTITY; RELATED BUDGET AMENDMENT

BACKGROUND

A. On June 11, 2013, the City of Sacramento approved a $1,800,000 City Home Investment Partnership Program Funds (HOME) loan commitment to Domus Development, LLC ("Developer") to assist in funding the construction and permanent financing of the 91-unit Curtis Park Court Apartment Project ("Project").

B. Since the time of the original HOME loan application, a number of economic factors have prompted the need for additional funding in order for the Project to remain feasible.

C. The Developer is requesting an additional $2,200,000 in City HOME funds for the Project.

D. The Curtis Park Court Apartment Project qualifies for HOME funding under the Sacramento Housing and Redevelopment Agency lending guidelines.

E. The City of Sacramento certified the Environmental Impact Report on September 28, 2010 for the Curtis Park Village Project. The actions authorized herein amend the Agency budget and increase project funding. There is no change to scope of the project and because there is neither any new information of substantial importance nor any substantial changes with respect to the circumstances under which the project will be undertaken that would require preparation of supplemental environmental documentation, the recommended actions do not require further environmental review pursuant to California Environmental Quality Act (CEQA) Guidelines §§ 15162 or 15163.

F. A request for Release of Funds and Certification was submitted to the United States Department of Housing and Urban Development (HUD) on June 27, 2013 and the Authority to Use Grant Funds was signed by HUD on July 19, 2013. This staff report contemplates additional HOME funds to be provided to the Project, but does not contemplate any changes in scope. After review, it has been determined under 24 CFR 58 Part E that the original environmental findings in

the environmental assessment are still valid and that there has been no change in the data or the conditions underlying those findings, as there are no substantial changes in the nature, magnitude or extent of the Project and no new activities, that were not anticipated in the original scope of the Project, have been added to the Project and furthermore, there are no new circumstances and environmental conditions which may affect the Project or have a bearing on its impact.

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 Agency is authorized to amend the Agency budget and allocate an additional $2,200,000 in City HOME funds to the Curtis Park Court Apartment Project, increasing the total amount allocated to the Project to $4,000,000.

Section 3. The Loan Commitment, attached as Exhibit A, for financing the Project with $4,000,000 in City HOME 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 4. The Sacramento Housing and Redevelopment Agency is authorized to make a loan to Domus Development, LLC or related entity for the financing of the Curtis Park Court Apartments ("Loan"), in accordance with the business terms and conditions as outlined in the Loan Commitment, and on standard Agency document forms as approved by Agency Counsel.

Section 5. 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 the Loan Commitment that accompanies this resolution, in accordance with its terms, and to ensure proper repayment of the Agency funds including without limitation, subordination, extensions, and restructuring of such a loan consistent with Agency adopted policy and with this resolution.

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February 19, 2014

Meea Kang
Domus Development, LLC
9 Cushing, Suite 200
Irvine, CA 92618

RE: Conditional Funding Commitment, Curtis Park Court Apartments

Dear Ms. Kang,

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 $4,000,000 in City Home Investment Partnership Program ("HOME") funds for the purpose of financing the development of that certain real property located at the future intersection of 24th Street and 10th Avenue in Sacramento, California ("Property"). The 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 February 25, 2014. 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 August 31, 2015, unless extended as outlined in Section 38.

1. PROJECT DESCRIPTION: The project is the acquisition and new construction of a 91 unit three-story apartment complex located in the proposed Curtis Park Villages at the future intersection of 24th Street and 10th Avenue in Sacramento, California. At least 11 units will be affordable to families earning less than 30 percent of the area median income (AMI), at least 19 units will be affordable to families earning less than 40 percent of AMI, at least 37 units will be affordable to families earning less than 50 percent of AMI, and a at least 23 units will be affordable to families earning less than 60 percent of AMI, with one unrestricted managers' unit.

2. BORROWER: The name of the Borrower for the Loan is Domus Development, LLC, or a related entity.

3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely to pay the costs of construction and permanent financing, or for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, and such other agreements as may be generally required by the Agency for the use of the funding source for the Loan.

4. PRINCIPAL AMOUNT: The combined principal amount of the Loan will be the lesser of (a) Four Million Dollars ($4,000,000), 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 TERM: The Loan shall mature 42 years, (or 504 months), from the effective date of the loan.

6. INTEREST RATE: The Loan shall bear simple interest at Four Percent (4%) per annum. Interest shall be calculated on the basis of a 365-day year and actual days elapsed.

7. LOAN REPAYMENT: Monthly principal and interest payments shall be deferred from the Loan's Effective Date through the completed payment of the differed developer fee. Structured monthly installments shall be made according to the payment schedule contained in the final 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. All outstanding principal and interest is due and payable on the maturity date.

8. SOURCE OF LOAN FUNDS: Agency is making the Loan of $4,000,000 of 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 12 or more 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 apply. 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)

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 first lien upon the Property and Improvements subject only to other items as the Agency may approve in writing. The Loan shall also be secured by security agreements. The Agency may subordinate said deeds of trust in order to accommodate completion of construction of the Property.

11. 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.

12. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than $16,806,309 in Low Income Housing Tax Credit Equity and no less than $348,588 in deferred developer fee.

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 permanent financing sufficient to "take out" all liens senior to the Agency's lien.

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

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

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 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.

15. 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.

16. 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.

17. 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.

18. 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.

19. 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.

20. 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.

21. 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.

22. 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.

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

24. 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).

25. 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.

26. 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.

27. 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.

28. ACQUISITION OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's acquisition of the Property.

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. AGENCY LOAN ADMINISTRATION FEE: Borrower agrees to pay an Annual Administration Fee (Fee) to Agency as compensation for monitoring compliance with regulatory restrictions and the administration of the loans. Owner shall pay annually a Fee equal to 15 basis points (0.15%) of the original loan amount of $4,000,000 in equal semi-annual installments on January 1 and July 1 each year.

33. 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.

34. RESIDENT SERVICES PLAN: Borrower shall submit for approval a detailed resident services plan including but not limited to, the following information: 1) identification of all entities responsible for providing social services to Project tenants and each entity's role in the provision of those services; 2) the services will be provided for a minimum of 15 hours per week; 3) confirmation services will be provided according to the Agency's minimum requirements as specified in the Multifamily Lending and Mortgage Revenue Bond Policies; 4) a description of the programs to be offered, and; 5) a Proforma social services budget.

35. SMOKE-FREE ENVIRONMENT: At least 50% of the buildings but no less than 50% of the units must be smoke free. All indoor common areas must be smoke-free.

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. 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.

40. EXTENSION OF COMMITMENT TERM: In the event the project is not successful in receiving an allocation of 9% LIHTCs in the first round of 2014, the Agency has sole discretion to modify and or extend the expiration of the commitment letter to a date no later March 31, 2016.

41. CURTIS PARK VILLAGE PROPOSITION 1C GRANT: This funding commitment is conditioned on the affordability levels and unit mix as contained in Section 1 herein satisfying the Program Guidelines dated February 4, 2009 ("Guidelines"), issued by the State of California, Department of Housing and Community Development ("Department"), and being incorporated into their Standard Agreement for the Transit-Oriented Development (TOD) Housing Program Infrastructure Grant.

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:
Domus Development, LLC

By:_____
Meea Kang, Member

Dated: