



**REPORT TO COUNCIL AND  
HOUSING AUTHORITY**  
City of Sacramento  
915 I Street, Sacramento, CA 95814-2671  
[www.CityofSacramento.org](http://www.CityofSacramento.org)

**20**

Business  
June 10, 2014

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

**Title: Sierra Vista, Sutterview, and Curtis Park Court Affordable Housing Projects**

**Location/Council District: 1107 23rd Street, Council District 4**

**Issue:** Approval of a City HOME, CDBG, and Low Moderate funded loan and a Housing Authority seller carryback loan and confirmation of disposition for rehabilitation of the 78 unit Sierra Vista Apartment low-income housing project.

**Recommendation:** Pass 1) a **Housing Authority Resolution** upon evidence of the withdrawal by SHARP and Bridge (Developer) of the pending 9% tax credit application for the Sutterview Apartments rehabilitation project from the California Tax Credit Allocation Committee (TCAC), thereby allowing for the second ranked Curtis Park Court project to be eligible for award of those tax credits for the Capital and Northern Region at the next TCAC meeting, a) approving a seller carryback loan commitment for acquisition of the Sierra Vista Apartments building improvements at 1107 23rd Street by the SHARP and Bridge (Developer) for \$6,400,000, and authorizing the Executive Director to execute and transmit the carryback loan and ground lease capitalization 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 1107 23rd Street, Sacramento, CA, dated October 24, 2013, d) amend the Agency budget to defund \$200,000 Social Services Complex City Housing Authority Low Moderate Funds e) amend the Agency budget to allocated \$200,000 in City Housing Authority Low Moderate Funds to the Sierra Vista project and f) making related findings; and 2) a **City Council Resolution** a) approving a loan commitment for financing the Sierra Vista rehabilitation project (Project) with up to \$1,400,000 of City Home Investment Partnership Program (HOME) funds, \$600,000 of Community Development Block Grant (CDBG) funds, \$200,000 in CDBG Multifamily Revolving Loan funds, and delegating authority for the Sacramento Housing and 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

Sierra Vista, Sutterview, and Curtis Park Court Affordable Housing Projects

Agency budget and allocate up to \$1,400,000 in City HOME funds and up to \$800,000 in City CDBG funds to the Project, and e) making related findings.

**Contact:** La Shelle Dozier, Executive Director, 440-1319

**Presenters:** Bern Wikhammer, Management Analyst

**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.

Among other things, the Strategy recommended several high-rise buildings operated by the Housing Authority. The US Department of Housing and Urban Development (HUD) approved three of the properties for disposition: Washington Plaza, Sutterview and Sierra Vista. One of these three buildings, Washington Plaza has received all necessary funding and is currently under rehabilitation. Work is expected to be complete by the end of the year. The subject of this report, Sierra Vista Apartments at 1107 23rd Street, is located in midtown Sacramento. Sierra Vista is a 78-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 called 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. The Housing Authority authorized the transfer of Sierra Vista to SHARP for ultimate transfer to a low income housing tax credit partnership for rehabilitation (HA Resolution 2010-006, adopted August 10, 2010)

The physical needs assessment for the property identifies the need for almost \$9 million in construction "hard costs." Work to be done includes correcting life-safety concerns, seismic upgrades, 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. A proposed architectural illustration is included as Attachment 2.

## Sierra Vista, Sutterview, and Curtis Park Court Affordable Housing Projects

The Project reflects a partnership between SHARP and BRIDGE Housing Corporation (BRIDGE), an experienced non-profit affordable housing developer based in San Francisco. BRIDGE was selected through a competitive RFQ in 2012. 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 provide property management at Sierra Vista. 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 \$8 million of low-income housing tax credit equity, about \$4 million in mortgage revenue bond proceeds, \$750,000 in Affordable Housing Program (AHP) funds, a \$3.25 million Agency loan (\$2.4 million allocated in this report, plus an additional \$850,000 in CDBG Single Family Housing and Economic Development Revolving Loan Funds to be presented for City Council approval at a public hearing on July 15, 2014), a fair market value as determined by an appraiser (which is currently valued at \$6.4 million) Housing Authority seller carryback loan for the building acquisition and a \$392,000 seller financed ground lease. Since the property will continue to operate during renovation, more than \$460,000 of expected operating income will contribute to Project funding as well.

In connection with its loan, the Agency will impose a 55-year bond regulatory agreement to maintain use of the property as affordable senior housing. Units will be regulated at 30, 40 and 50 percent of Area Median Income (AMI). However, the property also has an ongoing Housing Assistance Payments (HAP) contract from 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 Sierra Vista 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 Multifamily Lending and Mortgage Revenue Bond Policies. The total project debt will exceed a 90% loan-to-value ratio, and the loan term will be 55

Sierra Vista, Sutterview, and Curtis Park Court Affordable Housing Projects

years. Regulatory restrictions on the property will be specified in a bond regulatory agreement with a 55 year term and HOME regulatory agreement for 15 years. Compliance with the bond regulatory agreements will be monitored by the Agency on a regular basis throughout their terms.

**Economic Impacts:** This residential rehabilitation project is expected to create approximately 101 total jobs (57 direct jobs and 44 jobs through indirect and induced activities) and result in approximately \$14 million in total economic output (\$8.6 million direct output and another \$5.4 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 Sierra Vista Apartments 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 photovoltaic 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 midtown neighborhood.

**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 Agency loan comprised of up to \$1.4 million of federal HOME funds, \$800,000 of City CDBG funds and \$200,000 Housing Authority Low Mod funds (plus an additional \$850,000 in CDBG Single Family Housing and Economic Development Revolving Loan Funds to be presented for City Council approval at a public hearing on July 15, 2014) has been limited to the amount needed to

June 10, 2014

Sierra Vista, Sutterview, and Curtis Park Court Affordable Housing Projects

fill the gap between total Project financing needs and funds available from private equity investors, AHP and mortgage revenue bond sources. The CDBG funds are part of a previously approved allocation for Affordable Housing Rehabilitation and are now being specifically identified for use in this project. Annual repayment of the principal 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. The Loan shall bear interest at the Applicable Federal Rate at the time of escrow closing.

**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 they may be applicable.

Respectfully Submitted by:

  
LA SHELLE DOZIER  
Executive Director

**Table of Contents**

Report	pg. 1
<b>Attachments</b>	
1 Vicinity Map	pg. 6
2 Architectural Illustrations	pg. 7
3 Background	pg. 8
4 Project Summary	pg. 10
5 Cash Flow	pg. 11
6 Maximum Rents and Incomes	pg. 12
7 HACS Carryback Loan Resolution	pg. 13
Exhibit A (Commitment Letter)	pg. 15
8 City Council Home Loan Resolution	pg. 23
Exhibit A (Commitment Letter)	pg. 25



# Sierra Vista Apartments



Sierra Vista Apartments

0 2,500 5,000 Feet



SHRA GIS  
May 7, 2014



Preliminary Conceptual Rendering

## Sierra Vista 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 Sierra Vista Apartments at 1107 23rd 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: Sierra Vista is a 78-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-three year old building needs significant upgrades to preserve it as housing for very low-income seniors. The almost \$9 million in rehabilitation costs proposed for the project will include correcting life-safety concerns, seismic upgrades, 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. The proposed rehabilitation conforms to the Agency's required 15 years of useful life for all major building systems.

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. Since Housing Authority authorization (2010) to dispose of the property to a low income housing tax credit partnership for rehabilitation, SHARP 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 rehabilitate three Housing Authority properties, including Washington Plaza and Sutterview Apartments.

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

**Resident Services:** Resident services at Sierra Vista 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 building 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 up to 55 years. The following chart summarizes the combined proposed affordability restrictions:

<b>Funding</b>	<b>% of Units</b>	<b>Affordability Restrictions</b>	<b>No. Units</b>	<b>Regulatory Requirements</b>
Tax-Exempt Bonds, Tax Credits (LIHTC), Agency Loan	99%	(50% AMI) LI (40% AMI) VLI (30% AMI) ELI	53 16 8	55 years 55 years
Unrestricted	1%	Unrestricted	1	None
<b>Total</b>	<b>100%</b>		<b>76</b>	

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

Sierra Vista Apartments  
Project Summary

<b>Address</b>	1107 23rd Street, Sacramento 95814		
<b>Number of Units</b>	78		
<b>Year Built</b>	1971		
<b>Acreage</b>	0.45 (50,605 sq. ft.)		
<b>Affordability</b>	77 units (99%) at or below 30%, 40% and 50% of Area Median Income (AMI) * and 1 Manager's Unit		
<b>Unit Mix and Rents</b>	ELI (30% AMI) *	VLI (40% AMI) *	LI (50% AMI) *
1 Bedroom / 1 Bath Unrestricted	8	16	53
			1
<b>Square Footage</b>	<u>Unit Size (sq.ft.)</u>	<u>Total</u>	
1 Bedroom / 1 Bath	408	31,824 sq.ft.	
Ground Floor Community Area		15,115 sq.ft.	
New Construction		800 sq.ft.	
Total		47,739 sq.ft.	
<b>Resident Facilities</b>	Community room with kitchen, laundry, outdoor patio seating area		
<b>Permanent Sources</b>	<u>Total</u>	<u>Per Unit</u>	<u>Per Square Foot</u>
Mortgage Revenue Bond	3,936,000	50,462	82
Tax Credit Equity	8,214,799	105,318	172
Seller Carry back Loan	6,400,000	82,051	134
Ground Lease @ FMV	392,000	5,026	8
Construction Period Income	467,315	5,991	10
AHP Loan	775,000	9,936	16
Agency HOME Loan Commitment	1,400,000	17,949	29
Agency CDBG Loan Commitment	800,000	10,256	17
Agency Low/Mod Fund Loan Commitment	200,000	2,564	4
Future Agency CDBG Loan Commitment	850,000	10,897	18
<b>TOTAL SOURCES</b>	\$ 23,435,114	\$ 300,450	\$ 490.90
<b>Permanent Uses</b>			
Acquisition	6,792,000	87,077	142
Construction Costs	9,710,316	124,491	203
Permits	65,000	833	1
Architecture , Engineering, Survey	450,000	5,769	9
Hard Cost Contingency	886,032	11,359	19
Soft Cost Contingency	88,000	1,128	2
Financing Cost	650,010	8,333	14
Reserves	563,723	7,227	12
Legal Fees	240,298	3,081	5
Relocation - Temporary	655,000	8,397	14
Developer Fee	2,500,000	32,051	52
Third Party Fees, Marketing, Other	834,735	10,702	17
<b>TOTAL USES</b>	\$ 23,435,114	\$ 300,450	\$ 490.90
<b>Management / Operations</b>			
Proposed Developer:	SHARP, Inc. and BRIDGE Housing Corporation		
Property Management Company:	Housing Authority of the City of Sacramento		
Operations Budget:	\$311,261	\$3,991	
Property Management	\$41,200	\$528	
Resident Services:	\$24,720	\$317	
Replacement Reserves:	\$23,400	\$300	

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

Unit Type	Number	Square Feet	Total Sq Feet	TCAC Gross Rent	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
1 BD / 1BA @ 30% AMI	8	455	3,640	\$ 386	\$ 66	\$ 320	\$ 0.70	\$ 2,560	\$ 30,720	\$ 477	\$ 3,816	\$ 45,792
1 BD / 1BA @ 40% AMI	16	455	7,280	\$ 515	\$ 66	\$ 449	\$ 0.99	\$ 7,184	\$ 86,208	\$ 348	\$ 5,568	\$ 66,816
1 BD / 1BA @ 50% AMI	53	455	24,115	\$ 644	\$ 66	\$ 578	\$ 1.27	\$ 30,634	\$ 367,608	\$ 219	\$ 11,607	\$ 139,284
Manager's Unit	1	455	455	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total / Average for Restricted Units	78	455	35,490	\$ 590	\$ 66	\$ 524	\$ 1.14	\$ 40,378	\$ 484,536	\$ 273	\$ 20,991	\$ 251,892

	annual 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
<u>Income</u>												
Potential Gross Income	2.00%		494,227	504,111	514,193	524,477	534,967	590,647	652,122	719,995	794,933	877,670
Excess HAP Income	1.50%		255,670	259,505	263,398	267,349	271,359	292,331	314,923	339,262	365,482	393,727
Other Income	2.00%		7,864	8,021	8,182	8,346	8,512	9,398	10,377	11,457	12,649	13,966
Less Vacancy - TCAC rents	3.00%		-14,827	-15,123	-15,426	-15,734	-16,049	-17,719	-19,564	-21,600	-23,848	-26,330
Less Vacancy - Sec 8 PBS increment rent	3.00%		-7,670	-7,785	-7,902	-8,020	-8,141	-8,770	-9,448	-10,178	-10,964	-11,812
Effective Gross Income			\$735,264	\$748,730	\$762,446	\$776,417	\$790,649	\$865,887	\$948,410	\$1,038,936	\$1,138,251	\$1,247,221
<u>Operating Expenses</u>												
Operating Expenses	3.00%	3,874	311,261	320,599	330,217	340,123	350,327	406,125	470,810	545,798	632,729	733,507
Property Management	3.00%	513	41,200	42,436	43,709	45,020	46,371	53,757	62,319	72,244	83,751	97,090
Resident Services	3.00%	308	24,720	25,462	26,225	27,012	27,823	32,254	37,391	43,347	50,251	58,254
Taxes & Assessments	2.00%	64	5,000	5,100	5,202	5,306	5,412	5,975	6,597	7,284	8,042	8,879
Replacement Reserves	0.00%	300	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400
Total Expenses		5,059	405,581	416,996	428,753	440,862	453,333	521,511	600,517	692,073	798,173	921,131
<b>Net Operating Income</b>			<b>\$329,684</b>	<b>\$331,733</b>	<b>\$333,693</b>	<b>\$335,555</b>	<b>\$337,316</b>	<b>\$344,376</b>	<b>\$347,893</b>	<b>\$346,863</b>	<b>\$340,078</b>	<b>\$326,090</b>

<u>Debt Service</u>				amount	rate	term	2016	2017	2018	2019	2020	2025	2030	2035	2040	2045
Senior Loan				\$3,936,000	5.500%	35	126,822	253,644	253,644	253,644	253,644	253,644	253,644	253,644	253,644	253,644
Housing Authority Monitoring Fee				\$12,581,000	0.150%		18,872	18,872	18,872	18,872	18,872	18,872	18,872	18,872	18,872	18,872
Debt Service Subtotal							145,693	272,515	272,515	272,515	272,515	272,515	272,515	272,515	272,515	272,515

<u>Priority Distributions</u>				2016	2017	2018	2019	2020	2025	2030	2035	2040	2045
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 158,990 33,468 34,655 35,722 36,664 39,241 37,563 30,510 16,743 (5,339)

<u>Housing Authority Seller Carryback Loan</u>				2016	2017	2018	2019	2020	2025	2030	2035	2040	2045
Principal Balance	6,400,000	3.16%		6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000
Interest for Period				202,240	215,022	216,792	222,585	228,524	260,710	298,008	342,027	394,845	459,122
Accumulated Interest				404,480	460,511	643,835	831,765	1,024,567	2,071,995	3,290,340	4,733,260	6,469,845	8,588,468
Payment				158,990	33,468	34,655	35,722	36,664	39,241	37,563	30,510	16,743	-5,339
Balance				6,645,490	6,827,043	7,009,180	7,196,043	7,387,903	8,432,754	9,652,777	11,102,750	12,853,103	14,993,807

<u>SHRA loan</u>				2016	2017	2018	2019	2020	2025	2030	2035	2040	2045
Principal Balance	3,250,000	0.00%		3,250,000	3,250,000	3,250,000	3,250,000	3,250,000	3,250,000	3,250,000	3,250,000	3,250,000	3,250,000
Payment				0	0	0	0	0	0	0	0	0	0
Balance				3,250,000	3,250,000	3,250,000	3,250,000	3,250,000	3,250,000	3,250,000	3,250,000	3,250,000	3,250,000

<u>Ground Rent</u>				2016	2017	2018	2019	2020	2025	2030	2035	2040	2045
Fair Market Value Ground Rent	392,000	3.16%		392,000	392,000	392,000	392,000	392,000	392,000	392,000	392,000	392,000	392,000
Interest for Period				13,990	14,432	14,888	17,394	20,321	20,321	20,321	20,321	20,321	20,321
Accumulated Interest				64,713	79,145	94,033	175,836	271,406	271,406	271,406	271,406	271,406	271,406
Payment				0	0	0	0	0	0	0	0	0	0
Balance				456,713	471,145	486,033	567,836	663,406	663,406	663,406	663,406	663,406	663,406

Combined Debt Coverage Ratio 1.17 1.18 1.19 1.23 1.26 1.26 1.26 1.26 1.26 1.26 1.26

Sierra Vista Cash Flow

**MAXIMUM HOME AND CDBG RENT AND INCOME LEVELS 2014**

*Rents @ 50%, 40% and 30% of Area Median Income*

**Maximum Income Limits:**

Family Size	Max Income		
	50% AMI	40% AMI	30% AMI
1 person	\$24,050	\$19,240	\$14,430
2 person	\$27,500	\$22,000	\$16,500

**Maximum Rent Limits:**

Unit Size	Gross Rent		
	50% AMI	40% AMI	30% AMI
1 Bedroom	\$644.00	\$515.00	\$386.00

*\* 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 \$387).*

**RESOLUTION NO. 2014 –  
Housing Authority of the City of Sacramento**

June 10, 2014

**SIERRA VISTA APARTMENTS REHABILITATION (“PROJECT”): APPROVAL OF DEFUNING \$200,000 IN CITY HOUSING AUTHORITY LOW MOD FUNDS FROM SOCIAL SERVICE CAMPUS; APPROVAL OF REALLOCATION OF \$200,000 IN CITY HOUSING AUTHORITY FUNDS TO THE PROJECT; APPROVAL OF \$6,400,000 SELLER CARRYBACK LOAN COMMITMENT AND GROUND LEASE; EXECUTION OF RELATED LOAN COMMITMENTS AND RELATED DOCUMENTS WITH SIERRA VISTA HOUSING ASSOCIATES, LP, OR RELATED ENTITY FOR DISPOSITION AND REHABILITATION OF SIERRA VISTA; RELATED BUDGET AMENDMENTS; AND ENVIRONMENTAL FINDINGS**

**BACKGROUND**

- A. The Housing Authority of the City of Sacramento (“Housing Authority”) adopted Resolution No. 2010-006 on August 10, 2010 which authorized an application to the United States Department of Housing and Urban Development (“HUD”) for disposition of Sierra Vista Apartments (“Sierra Vista” or “Project”) at 1107 23rd Street, Sacramento;
- B. Said resolution also authorized the transfer of ownership of Sierra Vista 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 Sierra Vista;
- C. In 2009, the instrumentality, the Sacramento Housing Authority Repositioning Program, Inc., (“SHARP”) was established. SHARP and BRIDGE Housing Corporation (“BRIDGE”) have been working together as co-developers created Sierra Vista Housing Associates, LP, (“Applicant”) to apply to the California Tax Allocation Committee for tax credits to accomplish rehabilitation of Sierra Vista;
- D. HUD approved the disposition of Sierra Vista on October 24, 2013;
- E. The Housing Authority entered into an exclusive ground lease and purchase option agreement with SHARP and BRIDGE on February 14, 2014;
- 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 \$6,400,000 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;

- H. The Sacramento Housing and Redevelopment Agency desires Approval of defunding \$200,000 in Social Service Campus City Housing Authority Low Mod Funds; Approval of reallocation of \$200,000 in City Housing Authority Low Mod Funds to the Sierra Vista project.

**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 found to be true and correct.

Section 2. That the Sierra Vista Project is a priority housing project.

Section 3. Upon evidence of withdrawal by SHARP and Bridge (Developer) of the pending 9% tax credit application and award for the Sutterview Project, the Executive Director is authorized to executed and transmit the Loan Commitment to Developer as attached as Exhibit A. This Loan Commitment, attached as Exhibit A, commits upon certain events, the following:

- a. Financing for the project with \$200,000 in City Housing Authority Low Mod Funds.
- b. Commitment of ground lease and sale of improvements as a method of disposition.
- c. Financing the acquisition of the property by Developer for \$6,400,000, reflecting fair market value of Sierra Vista.
- d. Capitalization of a ground lease at its fair market value.

Section 4. The Executive Director or her designee, is authorized 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.

Section 5. The Executive Director, or her designee, is authorized to amend the Agency budget to defund \$200,000 in Social Service Campus City Housing Authority Low Mod Funds; Approval of reallocation of \$200,000 in City Housing Authority Low Mod Funds to the Sierra Vista project.

Section 6. 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 1107 23rd Street, Sacramento, CA, dated October 24, 2013.

***Table of Contents:***

Exhibit A - Carryback Loan and Loan Commitment Letter

June 10, 2014

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

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

Re: Conditional Seller Carryback and Loan Commitment  
Sierra Vista Apartments, 1107 23<sup>rd</sup> 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 \$6,400,000 in the form of a seller carry-back loan ("Carryback Loan") for the purpose of financing the acquisition of improvements and ground lease including capitalization of the rent at its fair market value located at 1107 23<sup>rd</sup> Street in Sacramento, California ("Property") commonly known as Sierra Vista Apartments. In addition, there is committed to proving permanent loan funds ("Loan") of \$200,000 in City Low Mod Funds for the purpose of funding the rehabilitation of the real property located at 1107 23<sup>rd</sup> Street in Sacramento. 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 2010-006 approved on August 10, 2010. 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 July 1, 2015.

1. PROJECT DESCRIPTION: The project is the acquisition and rehabilitation of existing property located at 1107 23rd Street in Sacramento, California. At least 77 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 Sierra Vista 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 Relocation Program, Inc. ("SHARP") and an affiliate of BRIDGE Housing Corporation.
3. PURPOSE OF CARRYBACK LOAN: The Loan is to be used by Borrower solely for financing the acquisition of improvements on the Property.
4. PRINCIPAL AMOUNT OF CARRYBACK LOAN: The total principal amount of the Loan will be Six Million Four Hundred Thousand Dollars (\$6,400,000).
5. TERM OF CARRYBACK LOAN: The Loan shall mature 55 years from the close of escrow date.
6. INTEREST RATE OF CARRYBACK LOAN: 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. CARRYBACK 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 CARRYBACK 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)

9. 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.
10. PRINCIPAL AMOUNT: The combined principal amount of the Loan will be the lesser of (a) Two Hundred Thousand (\$200,000), or (b) an amount to be determined prior to close of the Loan based on a project budget approved by Agency.
11. 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.
12. 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.
13. 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.
14. 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 Agency requirements or otherwise: a) City Housing Authority Low Mod 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)

15. 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.
16. 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.
17. 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.
18. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$8,200,000 from sources including Low Income Housing Tax Credits, net operating income during rehabilitation and existing reserves.
19. 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.

20. 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.
21. 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.
22. 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.
23. 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.
24. START OF CONSTRUCTION: Borrower shall commence construction at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than 60 days following the close of construction financing.
25. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than 24 months following the close of construction financing.
26. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance or in lieu such insurance, Builder's Risk completed value insurance in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent

lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000.00).

27. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain commercial general and property damage insurance (with Agency named as additional insured) in a form approved by Agency. Coverage must be approved by Agency and must be in at least the following limits of liability: (1) Commercial General Liability insurance in Insurance Services Office ("ISO") policy form CG 00 01 Commercial General Liability (Occurrence) or better with limits of liability, which are not less than \$1,000,000, per occurrence limit; \$5,000,000 general aggregate limit, and \$5,000,000 products and completed operations aggregate limit, all per location of the Project; (2) Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single limit and \$1,000,000 aggregate; (3) Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$1,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate; and (4) Comprehensive Automobile Liability for any vehicle used for or in connection with the Work of \$1,000,000. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000). Borrower must also procure and maintain workers' compensation and all other insurance required under applicable law, as required by law and as approved by Agency.
28. TITLE INSURANCE: Borrower must procure and deliver to Agency a 2006 ALTA LP-10 Lender's Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to CLTA endorsement nos. 100, 116, and 102.5/102.7 insuring Agency in an amount equal to the principal amount of the Loan, that Agency's Deed of Trust constitutes a third lien or charge upon the Property and Improvements subject only to such items as shall have been approved by Agency. There must be no exceptions permitted for mechanics liens. Title insurance for the Loan must be issued by a title insurer approved by Agency.
29. ORGANIZATIONAL AGREEMENTS: Borrower must submit to Agency certified copies of all of Borrower's organizational documents, including all amendments, modifications or terminations: if a corporation, Borrower's Articles of Incorporation and By-Laws; if a partnership, its Partnership Agreement and, as applicable, Certificate of Limited Partnership or Statement of Partnership; if a Limited Liability Company, its Articles of Organization and its Operating Agreement; and in all cases with all exhibits and amendments to such documents, fictitious business name statements, other related filings or recorded documents and such related documents as Agency may request. If it is a corporation, Borrower must submit a corporate borrowing resolution referencing this Loan. If Borrower is other than a corporation, Borrower must submit such proof of authority to enter this Loan as may be required under the organizational documents.
30. 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. 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 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,  
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. 2014 –**  
Adopted by the Sacramento City Council

on the date of

**SIERRA VISTA APARTMENTS REHABILITATION (“PROJECT”): APPROVAL OF CITY HOME INVESTMENT PARTNERSHIP PROGRAM (“HOME”) LOAN COMMITMENT NOT TO EXCEED \$1,400,000; APPROVAL OF CITY COMMUNITY DEVELOPMENT BLOCK GRANT LOAN COMMITMENT OF \$800,000; EXECUTION OF RELATED LOAN COMMITMENTS AND RELATED DOCUMENTS WITH SIERRA VISTA HOUSING ASSOCIATES, LP, OR RELATED ENTITY; RELATED BUDGET AMENDMENTS; AND ENVIRONMENTAL FINDINGS**

BACKGROUND

- A. Sierra Vista Housing Associates, LP, (“Developer”) is a single-asset tax credit investment partnership formed to finance and rehabilitate the Sierra Vista Senior Apartments. The Developer's managing general partner is Sierra Vista 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 Two Million Two Hundred Thousand Dollars (\$2,200,000) comprised of not more than \$1,400,000 of City Home Investment Partnership Program (“HOME”) funds and \$800,000 of City Community Development Block Grant Multifamily Residential (“CDBG”) funds (“Loan Commitment”) to provide permanent financing of the 78-unit Sierra Vista apartment rehabilitation project (“Sierra Vista” or “Project”) at 1107 23rd Street.
- B. SHARP and BRIDGE have entered into a ground lease and purchase option to acquire the Project dated February 14, 2014.
- 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 \$6,400,000 as justified by fair market value appraisal.
- E. WHEREAS, underwriting analysis of funding needed to comprehensively rehabilitate Sierra Vista for continued service life indicates the need for the gap financing being sought by the Developer.
- F. WHEREAS, 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 found to be true and correct.

Section 2. That the Sierra Vista Project is a priority housing project.

Section 3. The Loan Commitment letter, attached as Exhibit A, for financing the Project with up to \$1,400,000 of City HOME funds and \$800,000 of CDBG funds is approved.

Section 4. The Sacramento Housing and Redevelopment Agency (Agency) is delegated authority to execute and transmit the Loan Commitment to SHARP and Bridge (Developer) upon evidence of withdrawal by Developer of the pending 9% tax credit application and award for the Sutterview Project. The Executive Director is authorized to execute and transmit the Loan Commitment to Developer as attached as Exhibit A.

Section 5. The Agency is authorized to amend the Agency budget and allocate up to \$1,400,000 in City HOME funds to the Project.

Section 6. The Agency is authorized to amend the Agency budget and allocate up to \$600,000 in City CDBG funds to the Project and \$200,000 in City CDBG Multifamily Revolving Loan Funds.

***Table of Contents:***

Exhibit A – Loan Commitment Letter

June 10, 2014

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

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

RE: Conditional funding commitment, Sierra Vista Apartments, 1107 23rd 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 \$800,000 in City Community Development Block Grant Multifamily ("CDBG") funds and \$1,400,000 in City Home Investment Partnership Program ("HOME") funds for the purpose of financing the rehabilitation of that certain real property located at 1107 23rd 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 July 1, 2015.

1. PROJECT DESCRIPTION: The project is the acquisition and comprehensive rehabilitation of the existing, nine-story, 78-unit, Sierra Vista Apartments. One apartment unit will be an unrestricted manager's unit, and the remaining 77 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 Sierra Vista 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 Relocation 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) Two Million Two Hundred Thousand (\$2,200,000), 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 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

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 \$8,500,000 from sources including Low Income Housing Tax Credits, net operating income during rehabilitation and existing reserves.
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.

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

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.

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 proposed installation of photovoltaic generating equipment at the Property, it is applying for rebates 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. SMOKE-FREE ENVIRONMENT: Borrower shall provide that at least 50% of the buildings but no less than 50% of the units must be smoke free. Projects with only a single residential building must have at least 50% of the units in the building smoke-free. In addition 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.

Sincerely,

LaShelle 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: \_\_\_\_\_