



REPORT TO COUNCIL AND HOUSING AUTHORITY

City of Sacramento

915 I Street, Sacramento, CA 95814-2671

www.CityofSacramento.org

Business

June 10, 2014

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

Title: Sutterview and Curtis Park Court Affordable Housing Projects

Location/Council District: 2526 L Street, Council District 4

Issue: Approval of a Housing Authority seller carry-back loan for the sale of improvements and capitalization of ground lease rent in relation to the major rehabilitation of the 77 unit, extremely low-income senior housing property known as Sutterview Apartments.

Recommendation: Pass a **Housing Authority Resolution** upon evidence of the withdrawal by SHARP and Bridge of the pending 9% tax credit application for the Sutterview Apartments rehabilitation project from the California Tax Credit Allocation Committee (TCAC), 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 building improvements by the SHARP and Bridge (Developer) for \$6,350,000, and fair market value capitalization of rent for the ground lease 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 2526 L Street, Sacramento, CA, dated October 24, 2013, d) commitment to use best faith effort to seek approval for \$4,400,000 housing bond funds through the Oversight Board and the California Department of Finance for the project, and e) making related findings.

Sutterview and Curtis Park Court Affordable Housing Projects

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

Presenter: 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 identified several mid-rise buildings operated by the Housing Authority as priority projects. HUD approved three senior housing developments, Washington Plaza, Sierra Vista, and Sutterview apartments for disposition. Washington Plaza was transferred to a LIHTC partnership in December of 2013 and is currently under rehab. Approval for financing for Sierra Vista as a LIHTC project is anticipated to be submitted this month for closing in December as a 4% tax credit and bond project. The subject of this report, Sutterview Apartments, is located at 2526 L Street in midtown Sacramento. Sutterview is a 77-unit, eight-story, reinforced concrete structure originally 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 that of Norwood Avenue Housing Corporation (NAHC), a non-profit public benefit corporation and instrumentality of SHRA that successfully carried out the rehabilitation and continued oversight of the 360-unit Phoenix Park community. The Housing Authority authorized the transfer of Sutterview to SHARP for ultimate transfer to a low income housing tax credit partnership for rehabilitation (HA Resolution #2009-003, adopted March 10, 2009).

Sutterview and Curtis Park Court Affordable Housing Projects

The physical needs assessment and construction budget for the property identify the need for approximately \$8.5 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 including the addition of photovoltaic and solar thermal systems, 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 rendering is included as Attachment 2.

The Project reflects a partnership between SHARP and BRIDGE, an experienced non-profit affordable housing developer based in San Francisco. BRIDGE was selected through a competitive RFQ process in 2012. BRIDGE will remain in the partnership throughout construction and, upon completion of the work, 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 the property. 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 to three months of temporary relocation, tenants will return to their renovated units.

If approved by the Tax Credit Allocation Committee as a 9% tax credit priority project, funding sources will include approximately \$12.2 million of 9% low-income housing tax credit (LIHTC) equity and \$3.2 million in permanent mortgage financing. Alternatively, if the 9% application is not authorized the funding sources will include approximately \$7.7 million of LIHTC equity, \$3.3 million in mortgage revenue bond financing, and \$4.4 million of Agency gap financing.

For both financing scenarios this report also seeks authorization to enter into a long term ground lease with, and sale of the improvements to, the LIHTC limited partnership at fair market value as determined by an appraisal. The ground lease value will be capitalized in the lease and repaid over the term. The sale of improvements will be financed through a seller carry-back loan.

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Since the property will continue to operate during renovation, approximately \$425,000 of expected operating income will also be available to contribute to Project funding as well. In addition, an application has been submitted for a \$760,000 Affordable Housing Program (AHP) loan. If approved, the AHP loan would be available to fund unanticipated cost overruns and/or reduce the Agency loan.

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 50 percent of Area Median Income (AMI) or less if approved as a 9% tax credit project. However, the property also has an ongoing Housing Assistance Payments (HAP) contract from the US Department of Housing and Urban Development (HUD) for all 76 residential rental units in the Property excluding the onsite manager's unit. 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 Sutterview 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 copy of the final HUD Disposition Approval dated October 24, 2013 is included in Attachment 4. A project summary, including a proposed sources and uses of funds, is included as Attachment 5. A project pro-forma cash flow analysis 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 years. Regulatory restrictions on the property will be specified in a bond regulatory agreement with a 55 year term. 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.

Suterview and Curtis Park Court Affordable Housing Projects

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 National Environmental Policy Act (NEPA) determined that the proposed project is categorically excluded pursuant to 24 CFR 58.35(a)(ii), there are no extraordinary circumstances and no additional review is required.

Sustainability Considerations: Sustainability Considerations: The renovation of Suterview 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.

Financial Considerations:

The Developer may submit an application for the next round to TCAC for nine percent tax credits. If the nine percent tax credits are not awarded, the proposed loan is to fill the amount of the gap between total Project financing needs and funds available from private equity investors, and mortgage revenue bond sources. AHP funds may be available to partially offset this amount. Once the Oversight Board and the California Department of Finance approval is obtained, the proposed loan will be comprised of \$4.4 million of previous low mod bond funds. Repayment of the related \$4.4 million 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 in conformance with the disposition approval requirements from HUD. 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.

In conformance with the HUD Disposition Approval dated October 24, 2013 (Attachment 5), the applicant will obtain its equity investment as either 4% tax credits and bond financing, or 9% federal tax credits.

June 10, 2014

Sutterview and Curtis Park Court Affordable Housing Projects

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:



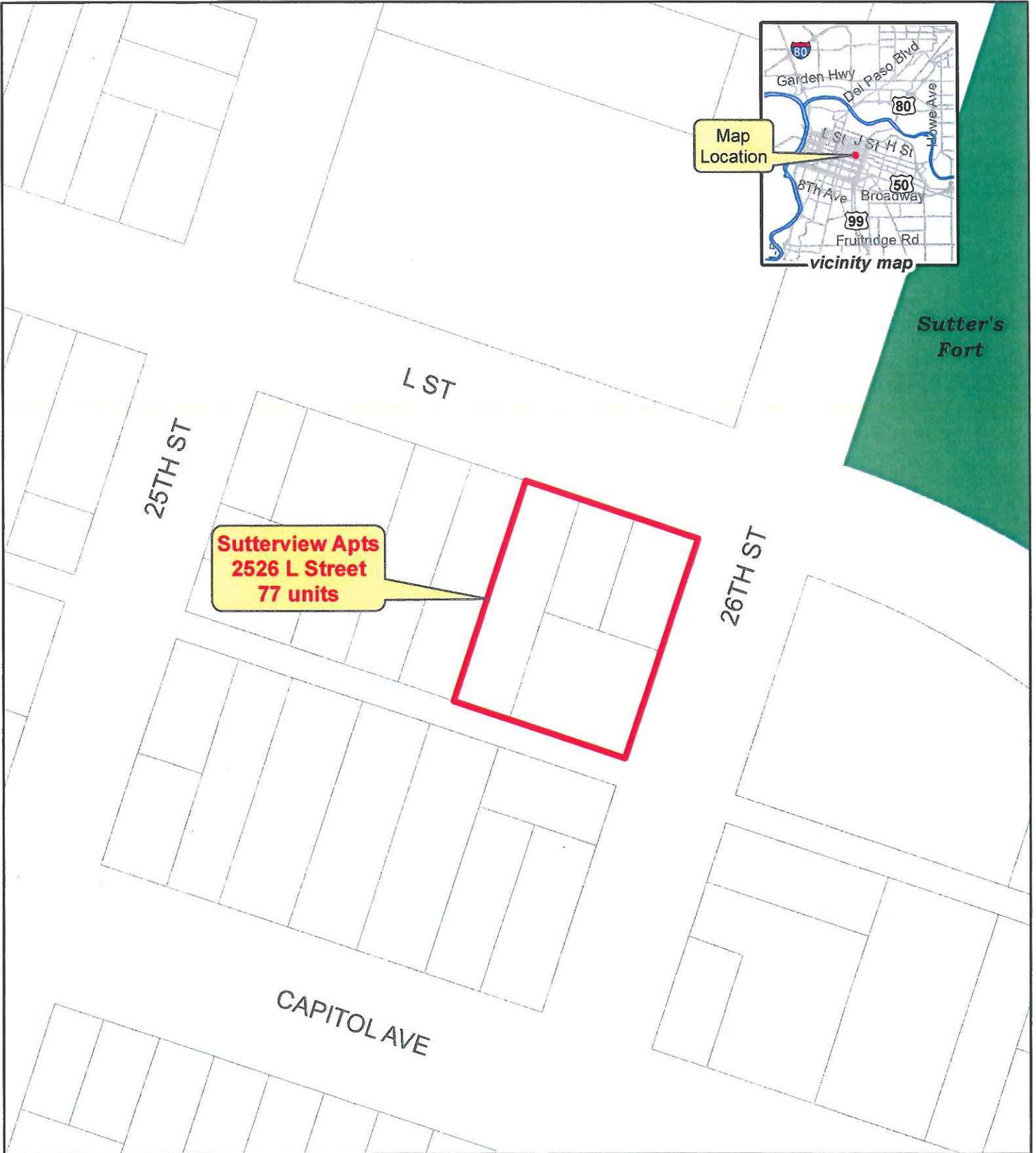
LA SHELLE DOZIER
Executive Director

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SHARP Downtown Senior Properties Sutterview Apartments - 2526 L St



Sutterview Apts
2526 L Street
77 units

Map
Location



*Sutter's
Fort*

 2526 L St
 Park





Sutterview 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 Sutterview Apartments located at 2526 L 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: Sutterview is a 77-unit, eight-story, reinforced concrete structure constructed in 1971. A vicinity map and architectural renderings are provided as Attachments 1 and 2. Although structurally sound, the 43-year old building needs significant upgrades to preserve it as housing for very low-income seniors. The approximate \$8.5 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. Its activities include acquiring, providing, developing, financing, rehabilitating, owning and operating affordable housing, for the purpose of repositioning aging Housing Authority assets to maintain and preserve their affordable units. It is currently partnering with BRIDGE to rehabilitate a total of three Housing Authority properties, including Sutterview, Washington Plaza and Sierra Vista Apartments.

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

Resident Services: Resident services at Sutterview will be provided by Housing with HEART, an affiliate of Jamboree Housing Corporation. Housing with HEART will provide a minimum of 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: The project may apply for future nine percent tax credits. If not awarded, funding for the project will include 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 76 for-rent residential 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:

Funding	% of Units	Affordability Restrictions	No. Units	Regulatory Requirements
Tax-Exempt Bonds, Tax Credits (LIHTC), Agency Loan	99%	(50% AMI) LI (40% AMI) VLI (30% AMI) ELI	54 16 8	55 years 55 years 55 years
Unrestricted	1%	Unrestricted	1	None
Total	100%		77	

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.



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Special Applications Center
 77 W. Jackson Blvd., Room 2401
 Chicago, Illinois 60604-3507
 Phone: (312) 353-6236 Fax: (312) 886-6413

OFFICE OF PUBLIC HOUSING

OCT 24 2013

Ms. La Shelle Dozier
 Executive Director
 Housing Authority of the City of Sacramento
 801 12th Street
 Sacramento, CA 95814-2404

Dear Ms. Dozier:

HUD's Special Applications Center (SAC) has received the Housing Authority of the City of Sacramento's (HACS) letter dated August 12, 2013 requesting an amendment to the disposition approval for 151 units in 2 buildings on 0.89 acres of underlying land at Capitol Terrace (CA 005000103) and Riverview Apartments (CA005000106). The SAC originally approved this disposition as DDA0003623 on October 8, 2009 as follows:

Capitol Terrace, CA005000103 (Washington Plaza site) Buildings: 1 Units: 76, Acres: 0.45			
Total Units: <u>76</u>	Less than 80% of Area Median Income		
	ACC	Non-ACC	Market Rate
Rental	0	76	0
Acquiring Entity	Sacramento Housing Authority Repositioning Program, Inc. ("SHARP"), with further conveyances upon tax credit syndication closing		
Method of Sale	Negotiated Sale at Less Than FMV		
Lease Price	Initial rent of \$1 per year; sale of improvements upon syndication at FMV with seller financing and repayments dependent on surplus cash		
Purpose	Preservation of Low-Income Housing – Section 8 Project Based		

River View APTS – 626 I Street, CA005000106 (Sutterview site) Buildings: 1, Units: 77, Acres: 0.44			
Total Units: <u>77</u>	Less than 80% of Area Median Income		
	ACC	Non-ACC	Market Rate
Rental	0	77	0
Acquiring Entity	Sacramento Housing Authority Repositioning Program, Inc. ("SHARP"), with further conveyances upon tax credit syndication closing;		
Method of Sale	Negotiated Sale at Less Than FMV		
Lease Price	Initial rent of \$1 per year; sale of improvements upon syndication at FMV with seller financing and repayments dependent on surplus cash		
Purpose	Preservation of Low-Income Housing - Section 8 Project Based		

In its letter dated August 12, 2013, the HACS indicates that the disposition to SHARP via interim lease to SHARP, as authorized in the original approval, has occurred and redevelopment planning of these projects with low-income housing tax credits (LIHTCs), Federal Home Loan Bank Affordable Housing Program (AHP), and/or other funding is underway. In its current request, the HACS is requesting that HUD's disposition approval reflect the following:

- Clarification of the use restriction requirement, including the removal of the reversion clause requirement;
- Flexibility for the acquiring entity to finance the redevelopment with 4% or 9% LIHTCs;
- Ownership of the project by a single purpose limited partnership (for LIHTC purposes) with the controlling interest of the general partner to be owned by BRIDGE during construction and by SHARP thereafter¹;
- Method of Disposition to reflect a ground lease at the fair market value of the land for a term of at least 55 years and the sale of the improvements at fair market value with seller financing to be repaid from surplus cash or residual receipts;
- Clarification as to treatment of loan repayments as disposition proceeds; and
- Provision of one unit at Washington Plaza and one unit at Sutterview to be used as a resident manager unit.

Capitol Terrace, CA005000103 (Washington Plaza site) Buildings: 1 Units: 76, Acres: 0.45			
Total Units: <u>76</u>	Less than 80% of Area Median Income		
	ACC	Non-ACC	Manager Unit
Rental	0	75	1
Acquiring Entity	First to Sacramento Housing Authority Repositioning Program, Inc. ("SHARP"), with further conveyance from HACS To Washington Plaza Housing Associates, L.P., upon tax credit syndication closing		
Method of Disposition	Negotiated Sale at FMV		
Disposition Price	Improvements to be sold for FMV (\$5,458,000 appraised value effective 5/20/13) with 100% seller financing and repayment dependent on surplus cash from operations. Land to be ground leased from HACS for a term of at least 55 years at the FMV (\$392,000 appraised value effective 5/20/13) (no lump sum payment; the lease payments will be capitalized and paid over time similar to the improvements)		
Purpose	Redevelopment and operation of units for families at or below 80% of area median income (AMI) for a period of not less than 30 years Minimum average hard costs of rehabilitation will be at least \$110,000 per unit. Subsidy is expected through the Section 8 project-based voucher program		

¹ SHARP is the Sacramento Housing Authority Repositioning Program, Inc. SHARP is an HACS related entity. BRIDGE is the BRIDGE Housing Corporation of San Francisco. It is a development partner of SHARP.

River View APTS – 626 I Street, CA005000106 (Sutterview site) Buildings: 1; Units: 77; Acres: 0.44			
Total Units: <u>77</u>	Less than 80% of Area Median Income		
	ACC	Non-ACC	Manager Unit
Rental	0	76	1
Acquiring Entity	First to Sacramento Housing Authority Repositioning Program, Inc. ("SHARP"), with further conveyances from the HACS. To Sutterview Plaza Housing Associates, L.P, upon tax credit syndication closing.		
Method of Disposition	Negotiated Sale at FMV		
Disposition	Improvements to be sold for FMV (\$5,725,000 appraised value effective 2/26/13) with 100% seller financing and repayment dependent on surplus cash from operations. Land to be ground leased from HACS for a term of at least 55 years at the FMV (\$383,000 appraised value effective 2/26/13) (no lump sum payment; the lease payments will be capitalized and paid over time similar to the improvements)		
Purpose	Redevelopment and operation of units for families at or below 80% of area median income (AMI) for a period of not less than 30 years. Minimum average hard costs of rehabilitation will be at least \$120,000 per unit. Subsidy is expected through the Section 8 project-based voucher program		

I am pleased to approve the HACS's amendment request, as indicated above, subject to the following:

(1) Disposition Agreement and/or Use Agreement Requirements: The HACS must enter into (or cause SHARP and the limited partnerships to enter into) one or more use agreements, in the form approved by the HUD San Francisco Office of Public Housing, to assure the use of these units identified above as rental housing for low-income families (families at or below 80% of area median income (AMI)) for a period of not less than 30 years. Provided the use agreement(s) are acceptable to the HUD San Francisco Office of Public Housing and are recorded against the properties in a first priority position, no reversion clause(s) to the transfer deeds are required;

(2) Rehabilitation Requirement: Within two years from the date of the transfer of the units to the limited partnerships, the units will be rehabilitated using non-public housing funds in an amount that will sustain the units throughout the minimum 30-year use restriction period. The average minimum rehabilitation hard costs of each unit for both properties combined will be at least \$115,000 per unit including an average of \$110,000 at Washington Plaza and \$120,000 at Sutterview;

(3) Carryback Note and Land Lease Repayments—Disposition Proceeds: Any and all loan repayments (principal and/or interest) from available surplus cash on the Seller Carryback Notes from—the HACS for these units (soft seller financing) and any payments on the Land Lease are deemed disposition proceeds and must be used for purposes authorized under Section 18(a)(5) of the U.S. Housing Act of 1937 (1937 Act);

(4) Treatment of Carryback Loan Repayments: Any loan repayments-received from these loans are deemed disposition proceeds under Section 18(a)(5) of the U.S. Housing Act of 1937. The HACS must use these proceeds, when and if realized, in accordance with Section 18 of the 1937 Act, 24 CFR part 970, PIH Notice 2012-7, and/or all other applicable HUD guidance in effect at the time of such receipt; and

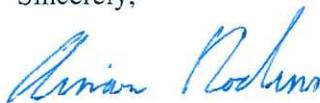
(5) Disposition Proceeds & Other Reporting Requirements: Pursuant to 24 CFR § 970.35, the HACS must submit reports (in the form and number required by HUD) to the HUD San Francisco Office of Public Housing indicating the amount of proceeds (loan payments), if any, it has both received and expended, along with any additional information that the HUD San Francisco Office may require to monitor this disposition.

Until directed otherwise by HUD, the HACS must submit such reports on an annual basis for the life of the use agreement(s). Such reports must indicate:

- Whether any proceeds were realized in that year, and if so, the exact dollar amounts;
- Evidence that the HACS maintains separate accounting for the proceeds; and
- A detailed use of any proceeds in that calendar year.

HUD's San Francisco Office of Public Housing has been informed of this amendment and its staff is available to provide any technical assistance necessary for your agency to proceed with the disposition. All terms and conditions of HUD's previous disposition approval documents that were not specifically addressed in this letter remain as stipulated in those documents. As you continue the process of implementation, I urge you to maintain an open dialogue with HUD's San Francisco Office of Public Housing, your residents, and local officials.

Sincerely,



Ainars Rodins, P.E.
Director

Sutterview Apartments

Project Summary - 9% (with gap funding for a possible Bond/4% application if needed)

Address	2526 L Street, Sacramento 95814		
Number of Units	77		
	1971		
Land Acreage - Building SqFt	0.44 Acres - 54,866 sq.ft.		
Affordability	76 units at o 50% of Area Median Income (AMI)* or less if required by tax credits and 1 Manager's Unit		
Unit Mix and Rents	ELI (30% AMI) *	VLI (40% AMI) *	LI (50% AMI) *
1 Bedroom / 1 Bath - 76	8	16	52
Unrestricted - 1			
Square Footage	<u>Unit Size (sq.ft.)</u>	<u>Total</u>	
1 Bedroom / 1 Bath	450	34,650 sq.ft.	
Ground Floor and Community Area		20,216 sq.ft.	
New Construction		0 sq.ft.	
Total		54,866 sq.ft.	
Resident Facilities	Community room with kitchen, laundry, outdoor patio seating areas		
Permanent Sources	<u>Total</u>	<u>Per Unit</u>	<u>Per Square Foot</u>
Mortgage Revenue Bond	3,100,000	40,260	57
Tax Credit Equity	7,500,000	97,403	137
Seller Carry back Loan	6,350,000	82,468	116
Ground Lease @ FMV	383,000	4,974	7
Construction Period Income	425,000	5,519	8
Agency RASA Loan	4,400,000	57,143	80
TOTAL SOURCES	\$ 22,158,000	\$ 287,766	\$ 403.86
Permanent Uses			
Acquisition	6,733,000	87,442	123
Construction Costs	8,405,000	109,156	153
Permits	65,000	844	1
Architecture , Engineering, Survey	450,000	5,844	8
Hard Cost Contingency	975,000	12,662	18
Soft Cost Contingency	90,000	1,169	2
Financing Cost	650,000	8,442	12
Reserves	565,000	7,338	10
Legal Fees	235,000	3,052	4
Relocation - Temporary	655,000	8,506	12
Developer Fee	2,500,000	32,468	46
Third Party Fees, Marketing, Other	835,000	10,844	15
TOTAL USES	\$ 22,158,000	\$ 287,766	\$ 403.86
Management / Operations			
Proposed Developer:	SHARP, Inc. and BRIDGE Housing Corporation		
Borrower:	Sutterview Housing Associates LP		
Property Management Company:	Housing Authority of the City of Sacramento		
Operations Budget:	\$317,195	\$4,119	
Property Management	\$40,000	\$519	
Resident Services:	\$25,000	\$325	
Replacement Reserves:	\$23,100	\$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	450	3,600	\$ 386	\$ 66	\$ 320	\$ 0.71	\$ 2,560	\$ 30,720	\$ 477	\$ 3,816	\$ 45,792
1 BD / 1BA @ 40% AMI	16	450	7,200	\$ 515	\$ 66	\$ 449	\$ 1.00	\$ 7,184	\$ 86,208	\$ 348	\$ 5,568	\$ 66,816
1 BD / 1BA @ 50% AMI	52	450	23,400	\$ 644	\$ 66	\$ 578	\$ 1.28	\$ 30,056	\$ 360,672	\$ 219	\$ 11,388	\$ 136,656
Manager's Unit	1	450	450	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total / Average for Restricted Units	77		34,650	\$ 590	\$ 66	\$ 524	\$ 1.15	\$ 39,800	\$ 477,600	\$ 273	\$ 20,772	\$ 249,264

	annual rate	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%		487,152	496,895	506,833	516,970	527,309	582,192	642,787	709,688	783,553	865,106
Excess HAP Income	1.50%		253,003	256,798	260,650	264,560	268,528	289,281	311,638	335,722	361,668	389,620
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%		-14,615	-14,907	-15,205	-15,509	-15,819	-17,466	-19,284	-21,291	-23,507	-25,953
Less Vacancy - Sec 8 PBS increment rent	3.00%		-7,590	-7,704	-7,819	-7,937	-8,056	-8,678	-9,349	-10,072	-10,850	-11,689
Effective Gross Income			\$725,815	\$739,104	\$752,640	\$766,429	\$780,474	\$854,727	\$936,168	\$1,025,505	\$1,123,514	\$1,231,050
<u>Operating Expenses</u>												
Operating Expenses	3.00%	3,925	317,195	326,711	336,512	346,608	357,006	413,868	479,786	556,203	644,792	747,491
Property Management	3.00%	519	41,200	42,436	43,709	45,020	46,371	53,757	62,319	72,244	83,751	97,090
Resident Services	2.00%	312	25,000	25,500	26,010	26,530	27,061	29,877	32,987	36,420	40,211	44,396
Taxes & Assessments	2.00%	65	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	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100
Total Expenses		5,125	411,495	422,847	434,533	446,564	458,950	526,577	604,789	695,252	799,896	920,957
Net Operating Income			\$314,320	\$316,257	\$318,107	\$319,865	\$321,525	\$328,150	\$331,380	\$330,253	\$323,618	\$310,093

<u>Debt Service</u>	amount	rate	term	2016	2017	2018	2019	2020	2025	2030	2035	2040	2045
Senior Loan	\$3,100,000	5.500%	35	99,885	199,770	199,770	199,770	199,770	199,770	199,770	199,770	199,770	199,770
Housing Authority Monitoring Fee	\$11,750,000	0.150%		17,625	17,625	17,625	17,625	17,625	17,625	17,625	17,625	17,625	17,625
Debt Service Subtotal				117,510	217,395	217,395	217,395	217,395	217,395	217,395	217,395	217,395	217,395

<u>Priority Distributions</u>	amount	rate	term	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				171,809	73,112	74,190	75,152	75,992	78,136	76,170	69,020	55,403	33,784

<u>Housing Authority Seller Carryback Loan</u>	amount	rate	term	2016	2017	2018	2019	2020	2025	2030	2035	2040	2045
Principal Balance	6,350,000	3.16%		6,350,000	6,350,000	6,350,000	6,350,000	6,350,000	6,350,000	6,350,000	6,350,000	6,350,000	6,350,000
Interest for Period				200,660	213,342	215,501	220,826	226,287	255,638	289,213	327,893	373,377	427,773
Accumulated Interest				401,320	469,662	638,163	810,989	988,276	1,940,436	3,032,508	4,295,237	5,785,108	7,576,072
Payment				145,000	47,000	48,000	49,000	50,000	55,000	59,000	58,000	53,000	40,000
Balance				6,606,320	6,772,662	6,940,163	7,111,989	7,288,276	8,235,436	9,323,508	10,587,237	12,082,108	13,886,072

<u>SHRA loan</u>	amount	rate	term	2016	2017	2018	2019	2020	2025	2030	2035	2040	2045
Principal Balance	4,400,000	0.00%		4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Payment				0	0	0	0	0	0	0	0	0	0
Balance				4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000

<u>Ground Rent</u>	amount	rate	term	2016	2017	2018	2019	2020	2025	2030	2035	2040	2045
Capitalized FMV Ground Lease	383,000	3.16%		383,000	383,000	383,000	383,000	383,000	383,000	383,000	383,000	383,000	383,000
Interest for Period				12,103	12,103	12,103	12,103	12,103	12,103	12,103	12,103	12,103	12,103
Accumulated Interest				21,180	33,283	45,386	57,488	69,591	130,105	190,619	251,133	311,647	372,161
Payment				0	0	0	0	0	0	0	0	0	0
Balance				416,283	428,386	440,488	452,591	464,694	525,208	585,722	646,236	706,750	767,264

Combined Debt Coverage Ratio				1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
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Suterview Cash Flow

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

June 10, 2014

SUTTERVIEW APARTMENTS REHABILITATION (“PROJECT”): APPROVAL OF \$6,350,000 SELLER CARRYBACK LOAN AND GROUND LEASE CAPITALIZATION COMMITMENT AND COMMITMENT SHOULD THE PROJECT RECEIVE 4% TAX CREDITS; EXECUTION OF RELATED LOAN COMMITMENTS AND RELATED DOCUMENTS WITH SUTTERVIEW HOUSING ASSOCIATES, LP, OR RELATED ENTITY; RELATED BUDGET AMENDMENTS; AND ENVIRONMENTAL FINDINGS

BACKGROUND

- A. The Housing Authority of the City of Sacramento (“Housing Authority”) adopted Resolution No. 2009-003 on March 10, 2009 which authorized an application to the United States Department of Housing and Urban Development (“HUD”) for disposition of Sutterview Apartments (“Sutterview” or “Project”) at 2526 L Street, Sacramento;
- B. Said resolution also authorized the transfer of ownership of Sutterview 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 Sutterview;
- C. HUD approved the final disposition of Sutterview on October 24, 2013 and the instrumentality, the Sacramento Housing Authority Repositioning Program, Inc., (“SHARP”) was established;
- D. Working together as co-developers, SHARP and BRIDGE Housing Corporation (“BRIDGE”) created Sutterview Housing Associates, LP, (“Applicant”) to apply to the California Tax Allocation Committee for tax credits to accomplish rehabilitation of Sutterview;
- E. The Housing Authority entered into an exclusive ground lease and purchase option agreement with SHARP and BRIDGE on March 28, 2013 which was subsequently amended on July 1, 2013 and again on February 27, 2014;
- F. The Applicant has also applied for rehabilitation and construction financing in the form of seller financing (“Carry-back Loan Commitment”) from the Housing Authority in an amount of \$6,350,000 as justified by fair market value appraisal;
- G. The Agency has considered environmental impacts of the project in accordance with California Environmental Quality Act (CEQA) and has determined that the Project is exempt due to CEQA §15301, where rehabilitation to the existing facility involves no

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

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

Section 1. All of the evidence having been duly considered the facts as presented and stated above, including the environmental facts are found to be true and correct.

Section 2. 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 execute and transmit the Loan Commitment to Developer as attached as Exhibit A. This Loan Commitment commits upon certain events, the following:

- a) A seller carry-back loan for financing the acquisition of the Improvements by Developer for \$6,350,000, reflecting the fair market value of Sutterview as of February 4, 2014.
- b) Capitalization of a ground lease at its fair market value of \$383,000.
- c) Commitment to use good faith efforts to seek and obtain additional gap funding consisting of low-mod tax increment bond proceeds through the Oversight Board and the California Department of Finance, should Sutterview not receive an award of 9% tax credits in the next round of the Tax Credit Allocation Committee (TCAC) award process and subsequently applies for 4% tax credits. This additional gap funding is anticipated to be \$4,400,000.

Section 3. 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 4. The Sutterview Project is a priority in TCAC's next 9% tax credit application round and is a priority housing project.

Section 5. 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 2526 L Street, Sacramento, CA, dated October 24, 2013.

Table of Contents:

Exhibit A - Carryback Loan Commitment Letter

June 10, 2014

James Shields, President
Sacramento Housing Authority Repositioning Program, Inc. ("SHARP")
801 12th Street, 6th Floor
Sacramento, CA 95814

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

Re: Conditional Seller Carry-back, Ground Lease, Capitalization of Rent, and GAP
Financing Commitment
Sutterview Apartments, 2526 L 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 \$6,350,000 in the form of a seller carry-back loan ("Loan") for the purpose of financing the acquisition of improvements located at 2526 L Street in Sacramento, California ("Property") commonly known as Sutterview Apartments. In addition, the Agency will enter into a lease for the land for the capitalized value of \$383,000.

If the tax credit financing consists of four percent tax credits and a mortgage revenue bond, the Agency will use its best faith effort to seek and obtain approval for gap financing in the amount of \$4,400,000 using low-moderate income housing bond proceeds through the Oversight Board and the California Department of Finance for the project.

The Agency's decision is based on your application and all representations and information supplied by you in relation to it. If these representations and information change in a material manner without written approval of Agency, this commitment is void. Agency's obligation to make the Loan is subject to the satisfaction of all the following terms and conditions and Borrower's execution of documentation in a form and substance satisfactory to the Agency.

The Loan shall be made on standard Agency loan documents. No material loan terms other than those in this funding commitment shall be included in the final loan documents without additional environmental review and governing board approval,

with the exception of changes the Agency is authorized to make in accordance with Housing Authority Resolution 2009-003 approved on March 10, 2009 and the United States Department of Housing and Urban Development (HUD) Disposition Approval as amended on October 24, 2013. 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 2526 L Street in Sacramento, California. At least 76 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 Sutterview Housing Associates, LP or a similarly named related entity in which the general partner will initially be a limited liability company comprised of Sacramento Housing Authority Repositioning Program, Inc. ("SHARP") and an affiliate of BRIDGE Housing Corporation.
3. PURPOSE OF LOAN: The Seller Carry-back Loan (Loan) is to be used by Borrower solely for financing the acquisition of improvements on the Property.
4. PRINCIPAL AMOUNT: The total principal amount of the Loan will be Six Million Three Hundred Fifty Thousand Dollars (\$6,350,000).
5. TERM OF LOAN: The Loan shall mature 55 years from the close of escrow date.
6. INTEREST RATE: The Loan shall bear interest at the Applicable Federal Rate at the time of escrow closing. Interest shall be calculated on the basis of a 360-day year and actual days elapsed. The current indicative rate is Three and Sixteen Hundredths Percent (3.16%) compounded annually.
7. LOAN REPAYMENT: Commencing on January 1 following the Conversion Date, annual payments of interest and principal shall be due in arrears, in an amount equal to the Residual Receipts remaining, if any, after payment of all operating expenses and priority payments as further described below. All unpaid principal and interest amounts due but not payable shall accrue under the Note. All payments shall be applied first to accrued interest and thereafter to principal. All outstanding principal and interest is due and payable on the maturity date.
 - a. Residual Receipts is defined as the net income remaining in the period as stated in the annual audited financial statement after payment of all approved operating expenses and priority payments due in the period.
 - b. Priority Payments are defined as replacement reserve deposits, operating reserve deposits (if any), bond payments, LP and GP asset management fee payments, deferred developer

fee payments (if any), and guaranty reimbursements (if any) due in the period.

8. **SOURCE OF LOAN FUNDS:** The Acquisition Loan will be financed through seller carry-back financing from the Housing Authority of the City of Sacramento. The Agency hereby acknowledges, agrees and represents that the Acquisition Loan shall be a below market interest rate loan for purposes of Labor Code Section 1720(c)(6)(E), and that such Acquisition Loan shall not trigger prevailing wage. This Acquisition Loan is conditioned upon Borrower's acceptance of Agency's requirements and conditions related to its lending programs, including among others, the required forms of agreements for the Acquisition Loan; the requirements for covenants, conditions and restrictions upon the Property; and insurance and indemnity requirements, all as mutually agreed to by Agency and Borrower.

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

_____ (Borrower Initial)

10. **ACCELERATION:** Agency shall have the right to accelerate repayment of the Loan in the event of a default under any Loan Document or upon sale, transfer or alienation of the Property except as specifically provided for in the Loan documents.
11. **SECURITY:** The Loan shall be evidenced by a promissory note secured by a deed of trust with assignment of rents against the leasehold interest in the Improvements, which shall be a subordinate lien upon the Improvements subject only to other items as the Agency may approve in writing. The Agency will subordinate said deeds of trust in order to accommodate completion of construction of the Property.
13. **LEASE AND RENTAL SCHEDULE:** Upon request, Agency shall have the right to review all leases of the Property and Improvements prior to execution. Borrower shall not deviate from the rental schedule presented in the staff report accompanying approval of this Loan Commitment Letter for the Loan without Agency's prior written approval; provided, however, that such approval shall not be required for annual adjustments to rental rates as permitted by the California Tax Credit Allocation Committee.
14. **PROOF OF EQUITY:** Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$8,400,000 from sources including Low Income Housing Tax Credits, net operating income during rehabilitation and existing reserves.
15. **OTHER FINANCING:** Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:
- (a) As a condition precedent to disbursement of the remainder of the Agency loan, construction financing from a private lender(s) in an amount(s) sufficient to complete construction of the Property according to a scope of work as approved by Agency and made

for a term not less than that specified in the Schedule of Performances for completion of construction, and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.

(b) Commitments for permanent financing sufficient to "take out" all liens senior to the Agency's lien. Such commitments for financing shall not require modification of Agency loan documents, or any term of this commitment letter. Such commitments shall not be based upon sources and uses of Project funds that are different from those approved by Agency for the project or be subject to conditions which require amendment of other Agency agreements.

16. EVIDENCE OF FUNDS: Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its reasonable discretion; and c) Agency's contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.
17. FINANCING IN BALANCE: Borrower will be required to maintain the financing "in balance". The financing is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders are sufficient, in the sole judgment of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency. Should the Agency determine that the financing is not "in balance", the Agency may declare the Loan to be in default.
18. PLANS AND SPECIFICATIONS: Final plans and specifications for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the disbursal of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the project.
19. ARCHITECTURAL AGREEMENT: The architectural agreement ("Agreement") for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
20. 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.
21. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than 24 months following the close of construction financing.
22. 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).

23. 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.
24. 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.
25. 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.
26. 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.
27. 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.
 28. 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.
 29. 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.
 30. 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.
 31. 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.
 32. 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.
 33. 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.
 34. 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.
 35. The Ground Lease will be for a term of 99 years. The long term value of the lease will be capitalized upfront and be payable annually on a residual receipts basis.

36. The Agency will also use its best faith effort to seek and obtain approval for gap financing in the amount of \$4,400,000 using lo-mod income housing bond proceeds through the Oversight Board and the California Department of Finance for the project. The term will be 55 years at a zero percent rate of interest repaid from residual cash flow.

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: _____