



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

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**Staff Report
June 17, 2014**

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

Title: Approval of Housing Authority and Agency Loan for Woodhaven Senior Residence

Location/Council District: 3731 Rio Linda Blvd, Council District 2

Issue: Resolution No. 2013-0367 (Council Rules of Procedure) requires additional posting time for labor agreements and agreements greater than \$1,000,000. Woodhaven Senior Residence (Project) is an existing 104-unit senior, affordable housing complex in need of rehabilitation.

Recommendation: Review Report 1) a **City Council Resolution** authorizing the Sacramento Housing and Redevelopment Agency (Agency) to: a) approve and allocate \$1,674,673 in City Home Investment Partnership Program (HOME) Funds to the Project, b) execute a Loan Commitment Letter with John Stewart Company c) execute all necessary documents associated with the transaction, and d) amend the Agency budget and e) make related findings. 2) a **Housing Authority Resolution** authorizing the Agency to: a) amend the Agency budget to defund City Housing Authority Low Mod Funds as follows: \$400,000 from the Riverfront Housing Initiative, \$1,015,116 from the Township 9 project, \$205,796 from the Maydestone Building project, \$162,478 from the Morrison Creek Estates project, \$820,564 from the Housing Development Assistance project, \$163,984 from the Housing Asset Management, b) amend the Agency budget to allocate \$2,767,938 of City Housing Authority Low Mod Funds to the Woodhaven Senior Residence project, c) approve and authorize the Executive Director to execute and transmit the Loan Commitment Letter to the John Stewart Company, d) restructure the outstanding loan and current obligations of the John Stewart Company, release outdated loan restrictions, and subordinate the existing loan, d) make related findings, and e) continue the report to the June 24, 2014 for approval.

Contact: Tyrone Williams, Director, Development 440-1316, Christine Weichert, Assistant Director, Development, 440-1353

Presenter: Christine Weichert, Assistant Director

Department: Sacramento Housing and Redevelopment Agency (Agency)

Approval of Housing Authority and Agency Loan for Woodhaven Senior Residence

Description/Analysis

Issue: The Woodhaven Senior Residence (Project) is an affordable multifamily complex owned by the John Stewart Company (Developer). The property is located on approximately 4.4 acres at 3731 Rio Linda Blvd in Sacramento's Del Paso Heights neighborhood. The Project was partially built in 1986 and finished in 1990 after a foreclosure on the original developer. There are a total of 104 one-bedroom units comprised of five two-story wood frame residential buildings, one single-story leasing/community building, and one single-story construction maintenance building. Four of the two-story buildings contain 20 units each and the fifth two story building contains 24 units. The Project currently has an existing Agency loan of \$500,000 plus accrued interest. The Developer is requesting a new loan to rehabilitate the property, to restructure debt, and to assign the new loan to a limited partnership formed by the John Stewart Company. A vicinity map is included as Attachment 1.

The proposed rehabilitation of the Woodhaven Senior Residence will be an extensive renovation of this 24-year old housing development. Interior improvements will include replacement of the flooring, cabinets, doors, appliances, wall heaters, windows, window coverings, toilets, tub and tub surrounds. Each unit will be repainted and life safety issues will be addressed. Exterior improvements will address all dry rot issues, replace and repair all balconies and patios including fences and railing, replace roofs, repair all gutters and downspouts, replace the common area HVAC systems for each building. Additionally each building will be repainted. The inadequate and dilapidated leasing/community building and maintenance building will be demolished which will allow a new structure to be built in the location of the current buildings. Throughout the property paving will be repaired and resealed, common area lighting will be upgraded, fencing and gates will be repaired and the community garden will be improved. A site plan is included as Attachment 2.

The property will continue to be occupied during the planned 11-month rehabilitation period. Tenants will be temporarily relocated to an off-site location on a rotating basis until work is complete. After approximately five days of temporary relocation, tenants will return to their renovated units.

Project funding sources will include more than \$3.8 million of low-income housing tax credit equity, approximately \$6.5 million in mortgage revenue bond proceeds, a \$4,442,611 Agency loan, seller carry back loan of \$451,677 and a deferred developer fee of \$381,486. Units will be regulated at 50 and 60 percent of Area Median Income (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 proforma is included as Attachment 5, and a schedule of maximum rents is included as Attachment 6.

Approval of Housing Authority and Agency Loan for Woodhaven Senior Residence

Policy Considerations: The recommended actions are generally consistent with the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies. Regulatory restrictions on the property will be specified in a regulatory agreement between the Developer and the Agency for a period of 55 years. In addition, the HOME agreement will last 15 years. Compliance with the regulatory agreement will be monitored by the Agency on an annual basis. Due to limited cash flow projections a supplemental assessment will not be charged on this project. The loan term will be 55 years.

Economic Impacts: This multifamily residential project is expected to create 59.3 total jobs (33.6 direct jobs and 25.7 jobs through indirect and induced activities) and create \$7,967,050 in total economic output (\$4,856,413 of direct output and another \$3,110,637 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.

Sustainability Considerations: The Project has been reviewed for consistency with the goals, policies and targets of the Sustainability Master Plan and the 2030 General Plan. If approved, the project will advance the following goals, policies and targets as follows: (1) Goal number one – Energy Independence, specifically by reducing the use of fossil fuels, improving energy efficiency, and providing long-term affordable and reliable energy;

Other: The project was found to be categorically excluded under the National Environmental Policy Act (NEPA) pursuant to 24 CFR Section 58.35(a)(3)(ii) as it consists of the rehabilitation of a multifamily residential complex in which the unit density will not be changed by more than 20 percent and the estimated cost of rehabilitation is less than 75 percent of the cost of replacement after rehabilitation. The actions herein fall within the scope of the project that was previously analyzed; therefore, additional environmental review pursuant to NEPA is not required.

Approval of Housing Authority and Agency Loan for Woodhaven Senior Residence

Commission Action: At its meeting June 4, 2014, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES: Alcalay, Chan, Creswell, Griffin, Johnson, Macedo, Morgan,
Morton, Raab, Stivers

NOES: None

ABSENT: Le Duc

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

Financial Considerations: This report recommends amending the Agency budget to defund City Housing Authority Low Mod funds as follows: \$400,000 from the Riverfront Housing Initiative, \$1,015,116 from the Township 9 project, \$205,796 from the Maydestone Building project, \$162,478 from the Morrison Creek Estates project, \$820,564 from the Housing Development Assistance project, \$163,984 from the Housing Asset Management. The proceeds of the defunding total \$2,767,938 will be combined with \$1,674,673 of City Home funds to make a \$4,442,611 loan for acquisition, rehabilitation, development and permanent financing for the Woodhaven Senior Residence.

M/WBE and Section 3 Considerations: Minority and Women’s Business Enterprise requirements will be applied to all activities to the extent required by federal funding to maintain that federal funding. Section 3 requirements will be applied to the extent applicable.

Respectfully Submitted by:


LA SHELLE DOZIER
Executive Director

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Approved as to form:


Agency Counsel

APPROVED AS TO FORM:


CITY ATTORNEY



Woodhaven Senior Residences



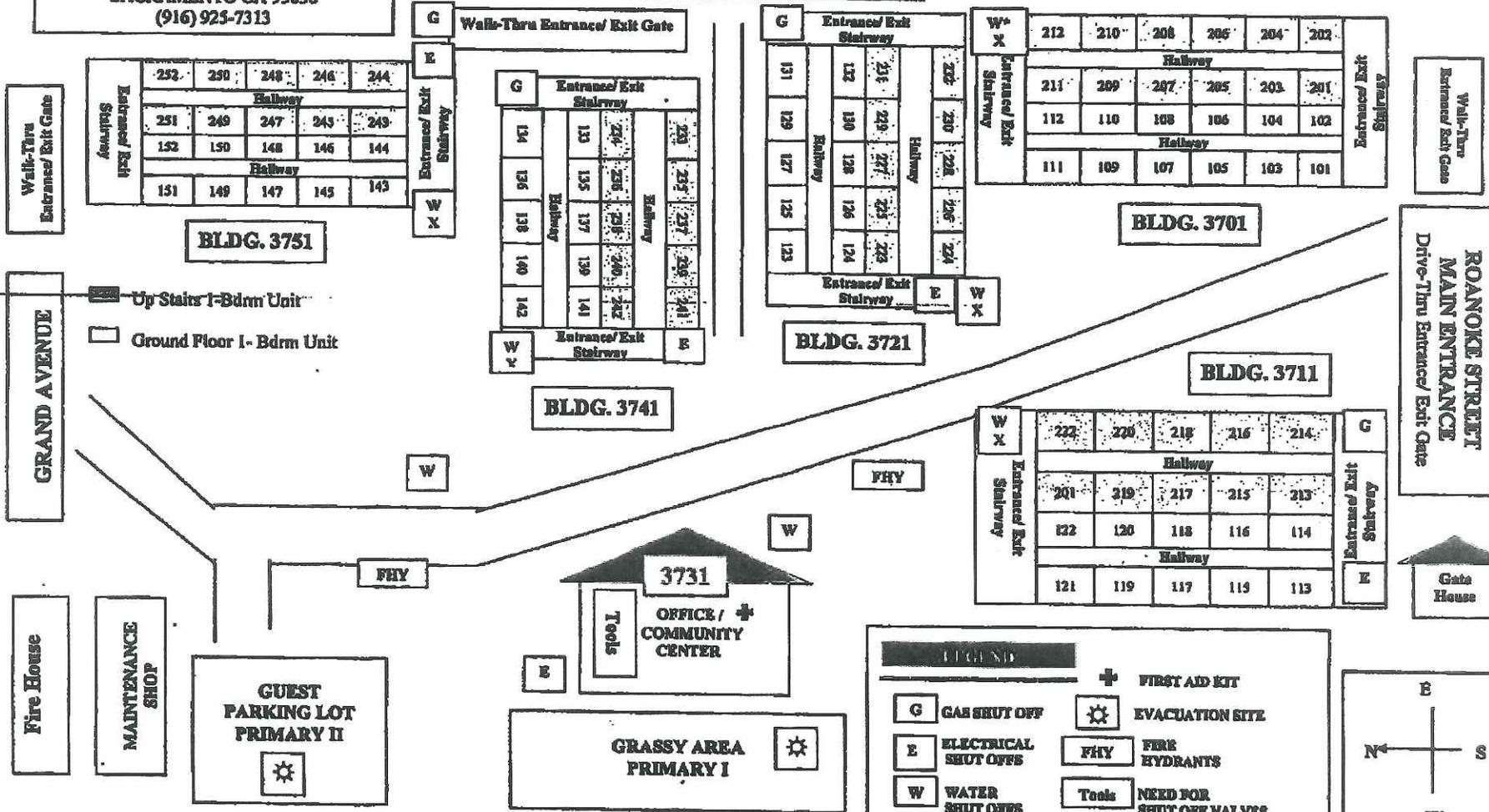
 Woodhaven Senior Residences



SHRA GIS
April 28, 2014

WOODHAVEN SENIOR RESIDENCES
 3731 RIO LINDA BOULEVARD
 SACRAMENTO CA 95838
 (916) 925-7313

RIO LINDA BLVD.



Woodhaven Senior Residence Project Background Information

The Developer, The John Stewart Company, proposes to rehabilitate Woodhaven Senior Residence, an existing affordable 104-unit apartment complex at 3731 Rio Linda Blvd. The Developer is requesting issuance of up to \$6,500,000 in tax-exempt mortgage revenue bonds, a \$4,442,611 Agency loan for the rehabilitation and the restructuring of outstanding loan and assumption.

Description of Development: Woodhaven Senior Residence was partially built as a housing complex in 1986 but it fell into foreclosure before completion. It did not receive its Certificate of Occupancy until 1990 after the current owners purchased the site and finished construction utilizing Low Income Housing Tax Credits (LIHTC's), a loan from CalHFA, and a loan from Sacramento Housing and Redevelopment Agency (Agency). The project consists of 104 one-bedroom units in five two-story buildings and a leasing/community building. Income restrictions from the LIHTC financing require that no households have an income higher than 60% Area Median Income (AMI). The Agency further requires 20% of the units to be restricted to households with incomes no greater than 50% AMI. Currently 71 of the 104 households at Woodhaven Senior Residence have incomes below 30% AMI.

The proposed project will include a complete rehabilitation of the Woodhaven Senior Residence, including interior and exterior repairs to the building and site improvements. Interior improvements will include replacement of the flooring, cabinets, doors, appliances, wall heaters, windows, window coverings, toilets, tub and tub surrounds. Each unit will be repainted and Life Safety issues will be addressed. Exterior improvements address dry rot issues, replace and repair all balconies and patios including fences and railing, replace roofs, repair all gutters and downspouts, replace the common area HVAC systems for each building. Additionally each building will be repainted.

The inadequately sized leasing/community building will be demolished in addition to the condemned Maintenance building and replaced with a new leasing/community/maintenance building. Throughout the property paving will be repaired and resealed, common area lighting will be upgraded, fencing and gates will be repaired and the community garden will be improved.

The proposed rehabilitation conforms to the Agency's guidelines that require a 15 year useful life for all major building systems and will bring the property up to current market standards. The improvements will create a complex that is visually more appealing and functionally improved, increase its marketability and have a positive impact on the surrounding neighborhood.

Developer: The John Stewart Company (JSCo), has developed over 4,000 residential, mixed-use and transit-oriented projects over the past 30 years and brings significant housing revitalization and management experience to the Woodhaven Senior

Residence project. JSCo has extensive experience in financing projects with tax credits, tax exempt bonds and other public and private funding sources.

Resident Services: Services will be provided to the residents by LifeSTEPS, an affiliate of the developer. The service provider will be required to provide at least 20 hours of services per week. Programs will be tailored to the needs of the residents. Examples of services include Educational Classes, Service Coordination, Case Management, Mediation Services Enrichment Activities for the residents.

Property Management: The project will be managed by The John Stewart Company, their current portfolio consists of over 33,000 units, including Hotel Berry, Shasta Hotel and Phoenix Park. Agency staff has reviewed the management plan, including daily operations, leasing procedures, maintenance, and eviction procedures, and has found that the proposed management company meets the Agency's requirements for property management.

Project Financing: The Developer proposes to finance the Woodhaven Senior Residence Project with up to \$6,500,000 in tax-exempt mortgage revenue bonds issued by the Housing Authority, 4% Low Income Housing Tax Credits, a deferred developer fee, a \$4,442,611 Agency loan, a seller carryback loan and restructuring of outstanding Agency loan.

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. The following chart summarizes the combined proposed affordability restrictions.

Unit Type	% of Units	Affordability Restrictions	Units	Regulatory Requirements
Agency Loan, Tax-exempt Bonds, Low Income Housing Tax Credits	20%	Very Low (50% AMI)	21	55 years
Agency Loan and Low Income Housing Tax Credits	80%	Low (60% AMI)	82	55 years
Managers Unit		Unrestricted	1	
Total	100%		104	

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

Woodhaven
Residential Project Financial Summary

Address	3731 Rio Linda Blvd. Sacramento, CA 95838		
Number of Units	104		
Year Built	1986 foreclosure - 1990 completed		
Acreage	4.4 acres		
Affordability	21 units at or below 50% of AMI 82 units at or below 60% of AMI 1 unregulated Manager's Unit		
Unit Mix and Rents	(50% AMI)	(60% AMI)	Manager
1 Bedroom / 1 Bath	21	82	1
Total	21	82	1
Square Footage	<i>Per Unit</i>	<i>Total</i>	
1 BR / 1 BA	500	51,500	500
Manager's 1 BR / 1 BA	500	500	500
Total		52,000	square feet
Resident Facilities	Community room with kitchen, community gardens, laundry.		
Permanent Sources	<i>Current Total</i>	<i>Per Unit</i>	<i>Per Sq Ft</i>
Tax Credit Equity	\$ 3,792,214	\$ 36,464	\$ 73
Existing Agency Loan	\$ 1,869,277	\$ 17,974	\$ 36
New Agency Loan	\$ 4,442,611	\$ 42,717	\$ 85
Seller Carry Back Loan	\$ 451,677	\$ 4,343	\$ 9
Deferred Developer Fee	\$ 381,486	\$ 3,668	\$ 7
TOTAL SOURCES	\$ 10,937,265	\$ 105,166	\$ 210
Permanent Uses			
Acquisition	\$ 2,650,000	\$ 25,481	\$ 51
Construction Costs	\$ 4,945,431	\$ 47,552	\$ 95
Permits	\$ 199,058	\$ 1,914	\$ 4
Architecture and Engineering	\$ 420,000	\$ 4,038	\$ 8
Hard Cost Contingency	\$ 494,543	\$ 4,755	\$ 10
Soft Cost Contingency	\$ 68,701	\$ 661	\$ 1
Financing Costs	\$ 154,112	\$ 1,482	\$ 3
Reserves	\$ 121,158	\$ 1,165	\$ 2
Legal Fees	\$ 190,000	\$ 1,827	\$ 4
Relocation - Temporary	\$ 505,000	\$ 4,856	\$ 10
Developer Fee	\$ 944,662	\$ 9,083	\$ 18
Third Party Fees, Marketing, Other	\$ 244,600	\$ 2,352	\$ 5
TOTAL USES	\$ 10,937,265	\$ 105,166	\$ 210
Management / Operations			
Proposed Developer:		The John Stewart Company	
Property Management Company:		The John Stewart Company	
Operations Budget:	\$342,939	\$3,297	
Property Management	\$52,416	\$504	
Resident Services	\$42,720	\$411	
Replacement Reserves:	\$31,200	\$300	

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Unit Type	Number	Square Feet	Total Sq Feet	Gross Rent	Utility Allowance	Maximum Net Rent	Actual Net Rent	Rent per Sq Foot
1 BD / 1 BA @ 50% AMI	21	500	10,500	\$ 678	\$ 72	\$ 606	\$ 460	\$ 0.92
1 BD / 1 BA @ 60% AMI	82	500	41,000	\$ 854	\$ 72	\$ 782	\$ 460	\$ 0.92
Manager's Units	1	500	500				\$ 500	\$ 1.00
Totals/Averages	104	500	52,000					

* Market Rents \$669

	rate	annual increase	per unit	2017 Year 1	2018 Year 2	2019 Year 3	2020 Year 4	2021 Year 5	2026 Year 10	2031 Year 15	2036 Year 20	2041 Year 25	2046 Year 30
Income													
Potential Gross Income		2.50%		574,560	588,924	603,647	618,738	634,207	717,547	811,838	918,520	1,039,222	1,175,784
Other Income		2.50%		11,650	11,941	12,240	12,546	12,859	14,549	16,461	18,624	21,072	23,841
Less Vacancy	5.00%			29,311	30,043	30,794	31,564	32,353	36,605	41,415	46,857	53,015	59,981
Effective Gross Income				\$556,900	\$570,822	\$585,093	\$599,720	\$614,713	\$695,491	\$786,884	\$890,287	\$1,007,279	\$1,139,643
Operating Expenses			342,939										
Operating Expenses		3.50%	3,297	342,939	354,942	367,365	380,223	393,530	467,391	555,113	659,301	783,042	930,009
Assessments		2.00%	0	9,000	9,180	9,364	9,551	9,742	10,756	11,875	13,111	14,476	15,983
Property Management	3.50%		504	52,416	54,251	56,149	58,115	60,149	71,438	84,845	100,770	119,683	142,146
Replacement Reserves			300	31,200	31,200	31,200	31,200	31,200	31,200	31,200	31,200	31,200	31,200
Social Services		3.50%	411	42,720	44,215	45,763	47,364	49,022	58,223	69,151	82,129	97,544	115,851
Total Expenses			4,599	\$478,275	\$493,788	\$509,840	\$526,452	\$543,643	\$639,007	\$752,185	\$886,511	\$1,045,945	\$1,235,189
Net Operating Income				\$78,624	\$77,034	\$75,252	\$73,267	\$71,070	\$56,484	\$34,700	\$3,776	-\$38,666	-\$95,545
Debt Service			amort										
SHRA Monitoring Fee		0.15%	\$6,500,000	9,750	9,750	9,750	9,750	9,750	9,750	9,750	9,750	9,750	9,750
Debt Service Subtotal				\$9,750	\$9,750	\$9,750	\$9,750	\$9,750	\$9,750	\$9,750	\$9,750	\$9,750	\$9,750
DCR on Senior Bonds				8.06	7.90	7.72	7.51	7.29	5.79	3.56	0.39	-3.97	-9.80
Other Operating Expenses													
Other Operating Expenses Subtotal													
Modified NOI for DCR Calculation				\$68,874	\$67,284	\$65,502	\$63,517	\$61,320	\$46,734	\$24,950	(\$5,974)	(\$48,416)	(\$105,295)
Priority Distributions													
Asset Management Fee (Investor)	1.00%			7,000	7,070	7,141	7,212	7,284	7,856	8,046	8,457	8,888	9,342
Managing General Partner Fee	1.00%			14,700	14,847	14,995	15,145	15,297	16,077	16,897	17,759	18,665	19,617
Annual Supplemental Assessment				0	0	0	0	0	0	0	0	0	0
Priority Distributions Subtotal				21,700	21,917	22,136	22,358	22,581	23,733	24,944	26,216	27,553	28,959
Net Cash after Priority Distributions				\$47,174	\$45,367	\$43,366	\$41,160	\$38,739	\$23,001	\$6	(\$32,190)	(\$75,970)	(\$134,254)
Deferred Developer Fee													
Principal Balance	\$381,486	1.00%		381,486	338,126	296,140	255,736	217,133	59,793	0	0	0	0
Interest for Period				3,815	3,381	2,961	2,557	2,171	598	0	0	0	0
Accumulated Interest				3,815	3,381	2,961	2,557	2,171	598	0	0	0	0
Payment				47,174	45,367	43,366	41,160	38,739	23,001	0	0	0	0
Balance				\$338,126	\$296,140	\$255,736	\$217,133	\$180,566	\$37,390	\$0	\$0	\$0	\$0
Net Cash after Deferred Developer Fee				\$0	\$0	\$0	\$0	\$0	\$0	\$6	(\$32,190)	(\$75,970)	(\$134,254)
SHRA HOME loan													
Principal Balance	\$4,442,611	0.00%		4,442,611	4,442,611	4,442,611	4,442,611	4,442,611	4,442,611	4,442,611	4,442,611	4,442,611	4,442,611
Payment				0	0	0	0	0	0	0	0	0	0
Balance				\$4,442,611	\$4,442,611	\$4,442,611	\$4,442,611	\$4,442,611	\$4,442,611	\$4,442,611	\$4,442,611	\$4,442,611	\$4,442,611
SHRA existing loan													
Principal Balance	1,869,277	3.27%		1,869,277	1,869,277	1,869,277	1,869,277	1,869,277	1,869,277	1,869,277	1,869,277	1,869,277	1,869,277
Interest for Period				61,125	61,125	61,125	61,125	61,125	61,125	61,125	61,125	61,125	61,125
Accumulated Interest				61,125	122,251	183,376	244,501	305,627	611,254	916,880	1,222,507	1,528,134	1,833,761
Payment				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Balance				\$1,930,402	\$1,991,528	\$2,052,653	\$2,113,778	\$2,174,904	\$2,480,531	\$2,786,157	\$3,091,784	\$3,397,411	\$3,703,038
Net Cash After Loan Repayment				\$0	\$0	\$0	\$0	\$0	\$0	\$6	(\$32,190)	(\$75,970)	(\$134,254)

Attachment 5

MAXIMUM HOME RENT AND INCOME LEVELS 2014
Rents @ 50% and 60% of Area Median Income

Maximum Income Limits:

Family Size	Max Income	
	50% AMI	60% AMI
1 person	\$24,050	\$28,860
2 person	\$27,500	\$33,000

Maximum Rent Limits:

HOME/Low Income Housing Tax Credits (LIHTC's)

Unit Size	Gross Rent	
	50% AMI	60% AMI
1 Bedroom	\$644.00	\$773.00

RESOLUTION NO. 2014 -

Adopted by the Sacramento City Council

On date of

WOODHAVEN SENIOR RESIDENCE; APPROVAL OF \$1,674,673 IN CITY HOME FUNDS AND LOAN COMMITMENT WITH THE JOHN STEWART COMPANY, OR RELATED ENTITY, RELATED BUDGET AMENDMENT

BACKGROUND

- A. The John Stewart Company (Developer) has applied for an allocation of One Million Six Hundred Seventy Four Thousand Six Hundred Seventy Three Dollars (\$1,674,673) in City HOME funds and Two Million Seven Hundred Sixty Seven Thousand Nine Hundred Thirty Eight Dollars (\$2,767,938) in City Housing Authority Low Mod Funds to assist in funding the acquisition, rehabilitation and development of a 104 unit housing complex known as the Woodhaven Senior Residence Project (the "Project").
- B. The Woodhaven Senior Residence Project qualifies for City HOME funding under the Sacramento Housing and Redevelopment Agency guidelines.
- C. 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.
- D. The project was found to be categorically excluded under the National Environmental Policy Act (NEPA) pursuant to 24 CFR Section 58.35(a)(3)(ii) as it consists of the rehabilitation of a multifamily residential complex in which the unit density will not be changed by more than 20 percent and the estimated cost of rehabilitation is less than 75 percent of the cost of replacement after rehabilitation. The actions herein fall within the scope of the project that was previously analyzed; therefore, additional environmental review pursuant to NEPA is not required.

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

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

Section 2. The Loan Commitment issued to the John Stewart Company, attached as (Exhibit A), for financing the Project with \$1,674,673 in City HOME funds is approved. The Executive Director of the Sacramento Housing and Redevelopment Agency (Agency) is delegated authority to execute and transmit the Loan Commitment to the Developer.

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

Section 4. The Agency is authorized to amend the Agency budget and allocate up to \$1,674,673 in City HOME funds to Woodhaven Senior Residence Project.

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Exhibit A: Loan Commitment for Woodhaven Senior Residence Project

Date: June 17, 2014

The John Stewart Company
C/O Jack D. Gardner, President
1388 Sutter Street 11th Floor
San Francisco, CA 94109

RE: Conditional funding commitment, Woodhaven Senior Residence

Dear Mr. Gardner:

On behalf of the Sacramento Housing and Redevelopment Agency ("Agency"), we are pleased to advise you of its commitment of Construction/Permanent Loan funds (Loan) from the City HOME funds/City Housing Authority funds/Restructuring Outstanding Loan and of Assumption of Obligations for the purpose of financing the acquisition, rehabilitation and development of that certain real property known as Woodhaven Senior Residence located at 3731 Rio Linda Blvd, Sacramento, California ("Property"). The Agency's decision is based on your application, and all representations and information supplied by you to it. If these representations and information change in a material manner without written approval of Agency, this commitment is void. Agency's obligation to make the Loan is subject to satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

The Loan shall be made on standard Agency loan documents. No 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 April 30, 2015.

1. **PROJECT DESCRIPTION:** The project is the acquisition, rehabilitation and development of a 104-unit affordable apartment project known as Woodhaven Senior Residence located at 3731 Rio Linda Blvd., Sacramento, California.
2. **BORROWER:** The name of the Borrower for the Loan is The John Stewart Company, or related entity.

3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely to pay the costs of acquisition, rehabilitation, development and for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, and such other agreements as may be generally required by the Agency for the use of the funding source for the Loan.
4. PRINCIPAL AMOUNT: The combined principal amount of the Loan will be the lesser of (a) Four Million Four Hundred Forty Two Thousand Six Hundred Eleven Dollars (\$4,442,611), 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 on the first day of the 684th month following closing.
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. MONTHLY PAYMENT: Monthly principal and interest payments shall be deferred from the Loan's Effective Date through the term.
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: City Home Funds, 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)

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)

10. ACCELERATION: Agency shall have the right to accelerate repayment of the Loan in the event of a default under any Loan Document or upon sale, transfer or alienation of the Property except as specifically provided for in the Loan documents.
11. SECURITY: The Loan shall be evidenced by promissory note(s) secured by a deed of trust with assignment of rents against the fee and/or leasehold interest in the Property and Improvements, which shall be a lien upon the Property and Improvements subject only to liens senior to the Agency’s lien securing loans from Clearinghouse CDFI and California Department of Housing and Community Development (Rental Housing Construction Program) 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.
12. LEASE AND RENTAL SCHEDULE: All leases of the Property and Improvements shall be subject to Agency's approval 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.
13. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$3,700,000 in Low Income Housing Tax Credit Equity and no less than \$381,486 in deferred developer fee. If LIHTC equity goes below \$3,700,000 it must be offset by an increase in deferred developer fee.
14. OTHER FINANCING: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:
 - (a) As a condition precedent to disbursement of the remainder of the Agency loan, construction financing from a private lender(s) in an amount(s) sufficient to complete construction of the Property according to a scope of work as approved by Agency and made for a term not less than that specified in the Schedule of Performances for completion of construction, and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.

(b) Commitments for permanent financing sufficient to "take out" all liens senior to the Agency's lien.

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

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

15. EVIDENCE OF FUNDS: Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its 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.
16. SOILS AND TOXIC REPORTS: Borrower must submit to Agency a hazardous substances report made in accordance with the American Society for Testing and Materials "Standard Practice for Environmental Site Assessments; Phase I Environmental Site Assessment Process" (Designation E1527-93) prepared by a licensed or registered environmental engineer or other qualified party prior to Loan closing. Borrower must, as a condition of disbursement of Loan funds, give assurances satisfactory to the Agency that hazardous materials are not present on the Property or that any hazardous materials on the Property have been remediated and that no further remediation is then required by the environmental agency having responsibility for monitoring such remediation.
17. LOAN IN BALANCE: Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders are sufficient, in the sole judgement of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency. Should the Agency determine that the Loan is not "in balance", the Agency may declare the Loan to be in default.
18. PLANS AND SPECIFICATION: Final plans and specifications, if any, 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"), if any, for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
20. CONSTRUCTION CONTRACT: The construction contract ("Contract"), if any, 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. Agency shall require Contractor to provide a performance and payment bond in a form acceptable to Agency for the amount of the Contract.
21. RETENTION AMOUNT: The Agency shall retain ten percent (10.0%) as retention from each disbursement, not to exceed a total of ten percent (10.0%) of the total amount of the Loan.
22. COST BREAKDOWN: Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, which breakdown conforms to the project plans and specification and the budget approved with this commitment. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency, Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

All contracts, subcontracts, contractors, and subcontractors shall be subject to Agency's approval prior to close of the Loan. Agency also reserves the right to require performance and material payment bonds on any or all contractors, or in lieu of bond a letter of credit acceptable to Agency.

Agency shall make disbursements of the Loan based on a cost breakdown that lists line items in cost categories. Agency shall require that Borrower provide documentation supporting all requests for disbursement of Loan funds, including proof of work done and actual expenditure. Agency shall conduct inspections of the Property to assure that the work was done before making a disbursement.

23. COST SAVINGS: At completion of construction, borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown. If there is an aggregate savings 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 and the original approved budget for the project.

24. START OF CONSTRUCTION: Borrower shall commence construction at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than 60 days following the close of construction financing.
25. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than 24 months following the close of construction financing.
26. SECURITY CAMERAS AND OUTSIDE LIGHTING: Project shall include installation of a security camera system at vehicular driveways and additional exterior lighting, all as approved by the Agency.
27. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance and during construction 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).
28. 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.

29. TITLE INSURANCE: Borrower must procure and deliver to Agency an ALTA 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.
30. 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.
31. PURCHASE OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.
32. 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.
33. 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.

34. LOW INCOME HOUSING TAX CREDITS ("LIHTC"): Borrower represents that as a condition of closing this Loan it is applying for an allocation of LIHTC's and agrees to perform all actions and to meet all requirements to maintain the LIHTC allocation if granted.
35. FEDERAL HOME LOAN BANK AFFORDABLE HOUSING GRANT: Not applicable.
36. SMOKE-FREE ENVIRONMENT: At least 50% of the buildings but no less than 50% of the units must be smoke free. All indoor common areas must be smoke-free.
37. 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.
38. 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.
39. 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.
40. SUBORDINATION AND ASSIGNMENT OF EXISTING DEBT: The Agency will seek approval from the appropriate governing body to restructure, subordinate and assign the existing loan on the Property of \$1,869,277 (principal and accrued interest) from the Tax Credit Funds ("Existing Debt") to the Borrower. The Agency will seek to restructure the terms of the loan, the payment schedule and the maturity date to be consistent with the 57 year term of the new \$4,442,611 Agency Loan.

41. 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.

Yours truly,

LaShelle Dozier
Executive Director

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

Dated:

BORROWER:

The John Stewart Company

By: _____
Jack D. Gardner, President

RESOLUTION NO. 2014 –

Adopted by the Housing Authority of the City of Sacramento

on date of

WOODHAVEN SENIOR RESIDENCE: APPROVAL OF DEFUNDING CITY HOUSING AUTHORITY LOW MOD FUNDS, \$400,000 FROM RIVERFRONT HOUSING INITIATIVE, \$1,015,116 FROM TOWNSHIP 9 PROJECT, \$205,796 FROM MAYDESTONE BUILDING OPA PROJECT, \$162,478 FROM MORRISON CREEK ESTATES PROJECT, \$820,564 FROM HOUSING DEVELOPMENT ASSISTANCE PROJECT, \$163,984 FROM HOUSING ASSET MANAGEMENT; APPROVAL OF REALLOCATION OF \$2,767,938 IN CITY HOUSING AUTHORITY FUNDS TO THE PROJECT; EXECUTION OF LOAN COMMITMENT AND RELATED DOCUMENTS WITH THE JOHN STEWART COMPANY OR RELATED ENTITY AND APPROVAL OF THE RESTRUCTURING OF OUTSTANDING LOAN AND ASSUMPTION OF OBLIGATIONS BY THE JOHN STEWART COMPANY, OR RELATED ENTITY, BUDGET AMENDMENTS, SUBORDINATION OF EXISTING LOAN.

BACKGROUND

- A. The John Stewart Company has applied for an allocation of One Million Six Hundred Seventy Four Thousand Six Hundred Seventy Three Dollars (\$1,674,673) in City Home funds (HOME) and Two Million Seven Hundred Sixty Seven Thousand Nine Hundred Thirty Eight Dollars (\$2,767,938) in City Housing Authority Funds to assist in funding the acquisition and rehabilitation of the 104-unit Woodhaven Senior Residence ("Project");
- B. The Sacramento Housing and Redevelopment Agency desires Approval of defunding of City Housing Authority Low Mod Funds, \$400,000 from the Riverfront Housing Initiative, \$1,015,116 from the Township 9 project, \$205,796 from the Maydestone Building project, \$162,478 from the Morrison Creek Estates project, \$820,564 from the Housing Development Assistance project, \$163,984 from the Housing Asset Management; Approval of reallocation of \$2,767,938 in City Housing Authority Low Mod Funds to the Woodhaven Senior Residence Project.
- C. The Project currently has a Low/Moderate Tax Increment Agency loan outstanding, the original loan. The principal balance of the original loan is \$500,000 plus accrued interest. The John Stewart Company has requested that the existing debt be restructured and assigned to a new limited partnership formed by The John Stewart Company. Requested restructuring of the original loan includes extending the term by approximately 35 years.

- D. The original Agency signatory for each of the outstanding Agency loans was the Redevelopment Agency of the City of Sacramento.
- E. In 2011 the California Legislature enacted AB 1X 26, which law, coupled with a subsequent decision of the State Supreme Court, resulted in the dissolution of redevelopment agencies as of February 1, 2012, and the transfer of all assets, properties, contracts and leases of the former redevelopment agencies to successor agencies, and requiring successor agencies to carry out the winding down of the redevelopment agencies.
- F. The City of Sacramento previously established the Redevelopment Agency of the City of Sacramento, a body corporate and politic ("Redevelopment Agency" or RDA) in order to carry out plans for the improvement, rehabilitation, and redevelopment of blighted areas within the City.
- G. On January 31, 2012, the City designated the Housing Authority of the City of Sacramento (PHA) as the local authority to retain the housing assets and functions previously performed by the RDA.
- H. On January 31, 2012 the PHA affirmatively elected pursuant to Health and Safety Code Section 34176 that it will serve as the "Successor Housing Agency" to the former Redevelopment Agency of City of Sacramento (RDA) and authorizes the Executive Director to take actions necessary to comply with the designation in a manner that is consistent with federal and state law.
- I. The existing project loan due to its Low/Moderate fund origin is a housing asset under California Health and Safety Code Section 34176.
- J. 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.
- K. The project was found to be categorically excluded under the National Environmental Policy Act (NEPA) pursuant to 24 CFR Section 58.35(a)(3)(ii) as it consists of the rehabilitation of a multifamily residential complex in which the unit density will not be changed by more than 20 percent and the estimated cost of rehabilitation is less than 75 percent of the cost of replacement after rehabilitation. The actions herein fall within the scope of the project that was previously analyzed; therefore, additional environmental review pursuant to NEPA is not required.

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

- Section 1. The above recitals are found to be true and correct and the proposed Project is categorically exempt under CEQA Guidelines Sections 15301 and no further review is required under NEPA.
- Section 2. The Executive Director, or her designee, is authorized to amend the Agency budget to defund City Housing Authority Low Mod Funds, \$400,000 from the Riverfront Housing Initiative, \$1,015,116 from the Township 9 project, \$205,796 from the Maydestone Building project, \$162,478 from the Morrison Creek Estates project, \$820,564 from the Housing Development Assistance project, \$163,984 from the Housing Asset Management; Approval of reallocation of \$2,767,938 in City Housing Authority Low Mod Funds to the Woodhaven Senior Residence Project.
- Section 3. The Executive Director or her designee is authorized to execute the Loan Commitment Letter and related documents with The John Stewart Company or Related Entity.
- Section 4. The Loan Commitment, attached as (Exhibit A), for financing the Project with \$2,767,938 in City Housing Authority Low Mod Funds, and the Executive Director is delegated authority to execute and transmit the Loan Commitment to the Developer.
- Section 5. The Executive Director is authorized to release outdated recorded restrictions associated with the original loan as these restrictions have been superseded by more comprehensive, longer termed restrictions and covenants.
- Section 6. The Executive Director is authorized to consent to the assumption of the obligations by The John Stewart Company or a related entity, in order to ensure the continued viability of the development.
- Section 7. The Executive Director is authorized to restructure outstanding Agency loans and related documents in the amount of \$500,000 principal plus accrued interest, to extend the maturity dates, and eliminate loan fees associated with these past loans.

Table of contents
Exhibit A – Loan Commitment

Date: June 17, 2014

The John Stewart Company
C/O Jack D. Gardner, President
1388 Sutter Street 11th Floor
San Francisco, CA 94109

RE: Conditional funding commitment, Woodhaven Senior Residence

Dear Mr. Gardner:

On behalf of the Sacramento Housing and Redevelopment Agency ("Agency"), we are pleased to advise you of its commitment of Construction/Permanent Loan funds (Loan) from the City HOME funds/City Housing Authority funds/Restructuring Outstanding Loan and of Assumption of Obligations for the purpose of financing the acquisition, rehabilitation and development of that certain real property known as Woodhaven Senior Residence located at 3731 Rio Linda Blvd, Sacramento, California ("Property"). The Agency's decision is based on your application, and all representations and information supplied by you to it. If these representations and information change in a material manner without written approval of Agency, this commitment is void. Agency's obligation to make the Loan is subject to satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

The Loan shall be made on standard Agency loan documents. No 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 April 30, 2015.

1. PROJECT DESCRIPTION: The project is the acquisition, rehabilitation and development of a 104-unit affordable apartment project known as Woodhaven Senior Residence located at 3731 Rio Linda Blvd., Sacramento, California.
2. BORROWER: The name of the Borrower for the Loan is The John Stewart Company, or related entity.

3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely to pay the costs of acquisition, rehabilitation, development and for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, and such other agreements as may be generally required by the Agency for the use of the funding source for the Loan.
4. PRINCIPAL AMOUNT: The combined principal amount of the Loan will be the lesser of (a) Four Million Four Hundred Forty Two Thousand Six Hundred Eleven Dollars (\$4,442,611), 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 on the first day of the 684th month following closing.
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. MONTHLY PAYMENT: Monthly principal and interest payments shall be deferred from the Loan's Effective Date through the term.
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: City Home Funds, 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)

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)**

10. ACCELERATION: Agency shall have the right to accelerate repayment of the Loan in the event of a default under any Loan Document or upon sale, transfer or alienation of the Property except as specifically provided for in the Loan documents.
11. SECURITY: The Loan shall be evidenced by promissory note(s) secured by a deed of trust with assignment of rents against the fee and/or leasehold interest in the Property and Improvements, which shall be a lien upon the Property and Improvements subject only to liens senior to the Agency's lien securing loans from Clearinghouse CDFI and California Department of Housing and Community Development (Rental Housing Construction Program) 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.
12. LEASE AND RENTAL SCHEDULE: All leases of the Property and Improvements shall be subject to Agency's approval 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.
13. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$3,700,000 in Low Income Housing Tax Credit Equity and no less than \$381,486 in deferred developer fee. If LIHTC equity goes below \$3,700,000 it must be offset by an increase in deferred developer fee.
14. OTHER FINANCING: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:
 - (a) As a condition precedent to disbursement of the remainder of the Agency loan, construction financing from a private lender(s) in an amount(s) sufficient to complete construction of the Property according to a scope of work as approved by Agency and made for a term not less than that specified in the Schedule of Performances for completion of construction, and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.

(b) Commitments for permanent financing sufficient to "take out" all liens senior to the Agency's lien.

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

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

15. EVIDENCE OF FUNDS: Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its 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.
16. SOILS AND TOXIC REPORTS: Borrower must submit to Agency a hazardous substances report made in accordance with the American Society for Testing and Materials "Standard Practice for Environmental Site Assessments; Phase I Environmental Site Assessment Process" (Designation E1527-93) prepared by a licensed or registered environmental engineer or other qualified party prior to Loan closing. Borrower must, as a condition of disbursement of Loan funds, give assurances satisfactory to the Agency that hazardous materials are not present on the Property or that any hazardous materials on the Property have been remediated and that no further remediation is then required by the environmental agency having responsibility for monitoring such remediation.
17. LOAN IN BALANCE: Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders are sufficient, in the sole judgement 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.
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19. ARCHITECTURAL AGREEMENT: The architectural agreement ("Agreement"), if any, 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.
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21. RETENTION AMOUNT: The Agency shall retain ten percent (10.0%) as retention from each disbursement, not to exceed a total of ten percent (10.0%) of the total amount of the Loan.
22. COST BREAKDOWN: Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, which breakdown conforms to the project plans and specification and the budget approved with this commitment. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency, Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

All contracts, subcontracts, contractors, and subcontractors shall be subject to Agency's approval prior to close of the Loan. Agency also reserves the right to require performance and material payment bonds on any or all contractors, or in lieu of bond a letter of credit acceptable to Agency.

Agency shall make disbursements of the Loan based on a cost breakdown that lists line items in cost categories. Agency shall require that Borrower provide documentation supporting all requests for disbursement of Loan funds, including proof of work done and actual expenditure. Agency shall conduct inspections of the Property to assure that the work was done before making a disbursement.

23. COST SAVINGS: At completion of construction, borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown. If there is an aggregate savings 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 and the original approved budget for the project.

24. START OF CONSTRUCTION: Borrower shall commence construction at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than 60 days following the close of construction financing.
25. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than 24 months following the close of construction financing.
26. SECURITY CAMERAS AND OUTSIDE LIGHTING: Project shall include installation of a security camera system at vehicular driveways and additional exterior lighting, all as approved by the Agency.
27. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance and during construction 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).
28. 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.

29. TITLE INSURANCE: Borrower must procure and deliver to Agency an ALTA 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.
30. 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.
31. PURCHASE OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.
32. 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.
33. 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.

34. LOW INCOME HOUSING TAX CREDITS (“LIHTC”): Borrower represents that as a condition of closing this Loan it is applying for an allocation of LIHTC’s and agrees to perform all actions and to meet all requirements to maintain the LIHTC allocation if granted.
35. FEDERAL HOME LOAN BANK AFFORDABLE HOUSING GRANT: Not applicable.
36. SMOKE-FREE ENVIRONMENT: At least 50% of the buildings but no less than 50% of the units must be smoke free. All indoor common areas must be smoke-free.
37. 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.
38. 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.
39. 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.
40. SUBORDINATION AND ASSIGNMENT OF EXISTING DEBT: The Agency will seek approval from the appropriate governing body to restructure, subordinate and assign the existing loan on the Property of \$1,869,277 (principal and accrued interest) from the Tax Credit Funds (“Existing Debt”) to the Borrower. The Agency will seek to restructure the terms of the loan, the payment schedule and the maturity date to be consistent with the 57 year term of the new \$4,442,611 Agency Loan.

41. 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.

Yours truly,

LaShelle Dozier
Executive Director

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

Dated:

BORROWER:

The John Stewart Company

By: _____
Jack D. Gardner, President