



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

11

Public Hearing
October 7, 2014

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

**Title: 700 Block of K Street Project –Tax Equity Fiscal Responsibility Act (TEFRA)
Hearing and Approval of Funding**

Location/Council District: 700-730 K Street, Council District 4

Issue: This report will serve as the required public TEFRA hearing for the 700 Block of K (Project) bond issuance, will affirm the Sacramento Housing and Redevelopment Agency's (Agency) \$10.1 million commitment to the project, and will amend the Agency budget to update funding sources for the project.

Recommendation: Conduct a public hearing and upon conclusion adopt 1) a **Housing Authority Resolution** a) affirming the continued commitment of \$10.1 million of previously committed Low-Moderate housing funds, as approved by the California Department of Finance on the Housing Asset List, to the Project; b) authorizing the Housing Authority to make a loan commitment of \$6,280,262 to the 700 Block Investors L.P. or related entity for the Project; c) authorizing the Housing Authority to make a grant commitment of \$3,819,738 to the Downtown Sacramento Revitalization Corporation (DSRC) which will be contributed to the Project; d) authorizing the Executive Director to execute the loan and grant commitment letters, respectively; 2) a **Housing Authority Resolution** a) approving an allocation of \$1,550,000, consisting of \$1,054,503 in Merged Downtown 2005 Taxable Low Moderate Funds and \$495,497 Merged Downtown 2005 Tax Exempt Low Moderate Funds; and b) defund \$2,340,000 in 2002 Merged Downtown Tax Exempt Low Mod Bond funds from the Project; 3) a **City Council Resolution** a) indicating the City Council has conducted a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing related to the Project; and b) approving the issuance of a tax exempt obligation; and 4) a **City Council Resolution** allocating \$790,000 of Housing Trust Funds to the Housing Authority for the Project.

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

Presenters: Tyrone Roderick Williams, Director of Development

Department: Sacramento Housing and Redevelopment Agency (Agency)

700 Block of K Street –TEFRA Hearing and Funding Approval

Description/Analysis

Issue: In July of 2010, the Redevelopment Agency of the City of Sacramento (Redevelopment Agency) selected 700 Block Investors, LP, a partnership between D&S Development and CFY Development (Developer), to redevelop the south side of the 700 Block of K Street as a mixed use project (see Attachment 1, Location Map) with Redevelopment Agency funds utilizing a New Market Tax Credit structure. On June 21, 2011, the Redevelopment Agency entered into 1) a Disposition and Development Agreement with the Developer to transfer the land, and 2) a commitment letter with the Downtown Sacramento Revitalization Corporation committing tax increment funds, including \$10.1 million of low-moderate housing tax exempt bond funds and \$3.6 million in non-housing tax exempt bond funds and tax increment funds, to the Project.

Following the dissolution of redevelopment by the State of California in 2012, the Housing Authority of the City of Sacramento (Housing Authority) assumed responsibility for the housing assets formerly administered by the Redevelopment Agency, while the City of Sacramento assumed the role of the Redevelopment Agency Successor Agency (RASA), which administers all of the non-housing assets of the Redevelopment Agency. Concurrent with the split of responsibility between the Housing Authority and RASA, the financing for the Project has been split into a residential portion and a commercial portion. This staff report addresses the residential portion of the Project. A concurrent City staff report will address the land disposition and commercial portion of the Project.

In March of 2013, approval was obtained to alter the structure of the Project to be financed with Low-Income Housing Tax Credits (LIHTCs), tax-exempt mortgage revenue bonds issued by the Housing Authority, the \$10.1 million originally committed to the Project, developer equity, and deferred developer fee. At that time there were no changes to the commercial portion of the Project so additional approvals on the commercial development were not necessary.

Unfortunately, in July of 2013 the Department of Finance (DOF) made the determination that the Redevelopment Agency agreements for the 700 block of K Street were not enforceable commitments due to the project delays and \$2.6 million in non-housing funding was reallocated to pay agency debts by the State. In response, in September of 2013 the Oversight Board and the RASA filed a writ of mandate against the State of California (*Successor Agency to the Redevelopment Agency of the City of Sacramento, et al. v. Matosantos, et al.*, Sacramento Superior Court Case No. 34-2013-80001637) challenging the DOF determination. The RASA argued the project's delays were directly a result of the dissolution of redevelopment, the agreements were enforceable. The litigation was subsequently settled in July of 2014. The agreements, land, and approximately \$1 million of the non-housing funding are to be transferred by RASA to the City. The settlement has enabled the project to proceed.

700 Block of K Street –TEFRA Hearing and Funding Approval

This current funding scenario assumes the same LIHTC tax-exempt mortgage revenue bond structure proposed in 2013. To maintain consistency with the rules and regulations governing the bond proceeds used to fund the Project, Sacramento Housing and Redevelopment Agency (Agency) funding of the project will be in the form of a loan and grants totaling \$10.1 million. Staff is requesting authority to execute the loan and grant commitments and will return to obtain approval to execute loan and grant documents, prior to the close of the transaction. Additionally, in order to maximize leverage of conventional project financing, this report recommends defunding \$2.34 million previously approved former redevelopment 2002 bond funds and replacing it with City Housing Trust Funds (HTF) and 2005 bond funds. The allocation of the new housing bond funding source requires approval of the Oversight Board, which occurred on September 15, 2014, and that action is subject to review by the State Department of Finance (DOF). The loan cannot close until we receive DOF approval. Fees paid to the HTF by the Arena development will be more than sufficient to replenish the HFT investment in this project. Over the past three years, construction costs have increased while affordable rents have decreased. As a result, to ensure project feasibility, the City of Sacramento and DSRC will provide an additional \$2 million in funding to the Project.

Regardless of changes to the funding structure, the scope of the Project remains the same as previously approved by the City Council and the Redevelopment Agency. The development plan proposes to transform a blighted half block of K Street into a mixed-use development providing both commercial and residential uses. The Developer intends to restore the historic storefronts along K Street, rehabilitate the commercial spaces, and attract new retail tenants (see Attachment 2, Development Proposal). Demolition of the southern 60 feet (back portion) of some of the structures will provide for the construction of a new 6-story residential building over 2 levels of parking. Parking spaces will be available to residential tenants. A total of approximately 63,000 sq. ft of commercial space will be provided.

To address the goal of additional housing units on K Street, the project includes 137 residential units: 15 over the commercial uses along K Street and 122 units in the new structure along the alley. The project is designed to attract a variety of tenants. Units will range in size from studios to two-bedrooms. A total of 72 of the units will be restricted at 60% of area median income (AMI), 11 of the units restricted at 50% of AMI, and the remaining 54 will be unrestricted market rate units.

The Project has progressed through final design and permit approval, and the Developer plans to begin construction by early 2015. Construction will span an 18-24 month period and should be complete by the end of 2016.

Staff recommends Housing Authority action to reaffirm its prior commitment of \$10.1 million to the Project and recommends exchanging funds already allocated to the Project with Housing Trust Funds and former housing redevelopment funds.

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Further background on the Project, Developer and the property is included as Attachment 3. A project summary, including proposed sources and uses of funds, is included as Attachment 4. A project cash flow pro-forma and a schedule of maximum rents are included as Attachments 5 and 6.

Policy Considerations: The Project is consistent with long-standing City Council, Redevelopment Agency, and community direction. It is in keeping with the 2030 General Plan, the Central City Community Plan, and the JKL Community Workshop objectives for the 7th and K Street site. Among the Project's benefits are the elimination of blight through the reuse of deteriorated buildings, developing a range of housing options within the downtown area, serving as a catalyst project to attract additional development to the area and K Street, and attracting private sector funding by providing public sector funding. Developer will be required to encourage the use of the First Source Program.

The recommended actions are generally consistent with the approved Multifamily Lending and Mortgage Revenue Bond Policies, however the Agency loan will be repaid on the residual basis consistent with the superior DSCR loan, its term will be 55 years and only 11 of the 83 affordable units will be restricted to 50% AMI. Due to pending changes in State Law, this project will not be subject to the Supplemental Assessment Fee. Regulatory restrictions on the property will be specified in bond and loan regulatory agreements with the Housing Authority. Compliance with the regulatory agreements will be monitored on a regular basis for 55 years.

Orrick, Herrington & Sutcliffe LLP, bond council for all former redevelopment bond issuances in the City of Sacramento, has opined on the financial structure of this transaction. They have affirmed that, subject to DOF approval of the \$1,550,000 exchange of bond funds, the structure of the transaction does not jeopardize the tax-exempt nature of the bonds utilized in its financing.

Economic Impacts: This residential new construction and rehabilitation project is expected to create 330.6 total jobs (185.6 direct jobs and 145 jobs through indirect and induced activities) and create \$45,834,065 in total economic output (\$28,167,692 of direct output and another \$17,666,373 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 City Planning Commission approved certain permits for the Project and certified the Environmental Impact Report on May 12, 2011. After the City Preservation Commission approved the Project on May 19, 2011, the City filed and posted a Notice of Determination on May 27, 2011. The actions pertaining to the agreements, loans and budget amendments in this report are in furtherance of the previously approved project and do not constitute a new project or substantive changes or modifications to the approved project. As required by CEQA Guidelines § 15096(f), the Housing Authority has considered the environmental effects of the proposed project as shown in the EIR. Because there is neither any new information of substantial importance nor any substantial changes which would change the scope or operation of the approved project, the recommended actions do not require further environmental review per State CEQA Guidelines §§ 15162 or 15163.

Sustainability Considerations: The Project is considered to be an infill development, which provides multiple benefits including providing mixed income housing options close to jobs, reducing the need to build new development on the urban fringe, increasing the viability of and dependency on alternative modes of transportation, preserving natural resources, and providing for efficient use of land, services and infrastructure. Sustainable measures that have been incorporated through conditions of approval for the Project include: 1) Construction of at least one green roof to the satisfaction of the Planning Director; 2) High HTC-rated and energy efficient windows shall be installed in the residential and commercial areas and storefronts, and 3) All toilets shall be low-flow. For the four structures that are listed as historic per CEQA, the original windows will be repaired or replaced in accordance with the Secretary of the Interior's Rehabilitation Standards.

Commission Action: It is anticipated that, at its meeting October 1, 2014, the Sacramento Housing and Redevelopment Commission will approve staff recommendation for this item. Staff will notify Council in the event this does not occur.

Rationale for Recommendation: The actions recommended in this report enable SHRA to continue to fulfill its mission to provide a range of affordable housing opportunities in the City. In addition, they further the longstanding City goal of revitalizing K Street. Project benefits will include removal of blight, preservation of the historic character of existing buildings, and creation of a unique mixed-use transit-oriented development with 137 new residential units in the heart of downtown.

Financial Considerations: The proposed bond issuance will not be an obligation of the City, the Housing Authority, or the Sacramento Housing and Redevelopment Agency.

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The bonds will be an obligation solely of the project and the owner who will bear all costs associated with issuing the bonds. SHRA will receive a one-time issuance fee of 0.25 percent of the bond issuance amount, which is payable at bond closing. SHRA will also collect an annual fee of 0.15 percent of the total bond issuance amount. The law firm of Orrick, Herrington & Sutcliffe LLP, is acting as bond counsel for the Housing Authority.

Only a portion of the previously committed \$10.1 million of low-moderate tax increment funds can be repaid to the Housing Authority due to the tax-exempt nature of the Project funds. In total \$6,280,262 of the \$10.1 million committed to the Project can be repaid. This portion will be loaned to the Developer and repaid on the residual basis consistent with the superior DSCR loan. The remaining \$3,819,738 of funding must be granted and will be allocated to the Downtown Sacramento Revitalization Corporation (DSRC). DSCR will be required to contribute the grant proceeds to the Project pursuant to the commitment letter attached to this staff report.

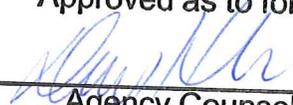
In order to maximize conventional leverage to the Project, the Housing Authority is recommending replacing \$2,340,000 of 2002 Tax Exempt funding previously committed to the Project with \$790,000 of Housing Trust Funds, \$1,054,503 in former Merged Downtown 2005 Taxable Low Moderate Funds and \$495,497 former Merged Downtown 2005 Tax Exempt Low Moderate Fund. The Oversight Board has approved the Merged Downtown bond funding action and is awaiting approval from the DOF. The allocation of new bond funds is subject to DOF approval.

M/WBE and Section 3 Requirements: The activities recommended in this staff report do not involve federal funding therefore; there are no M/WBE or Section 3 requirements.

Respectfully Submitted by: 
LA SHELLE DOZIER
Executive Director

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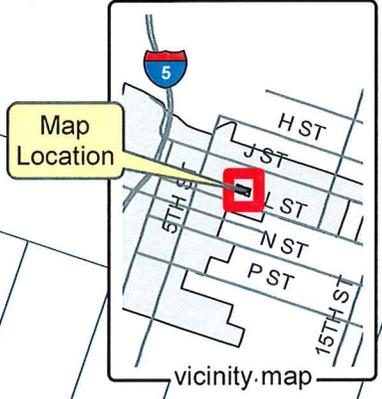
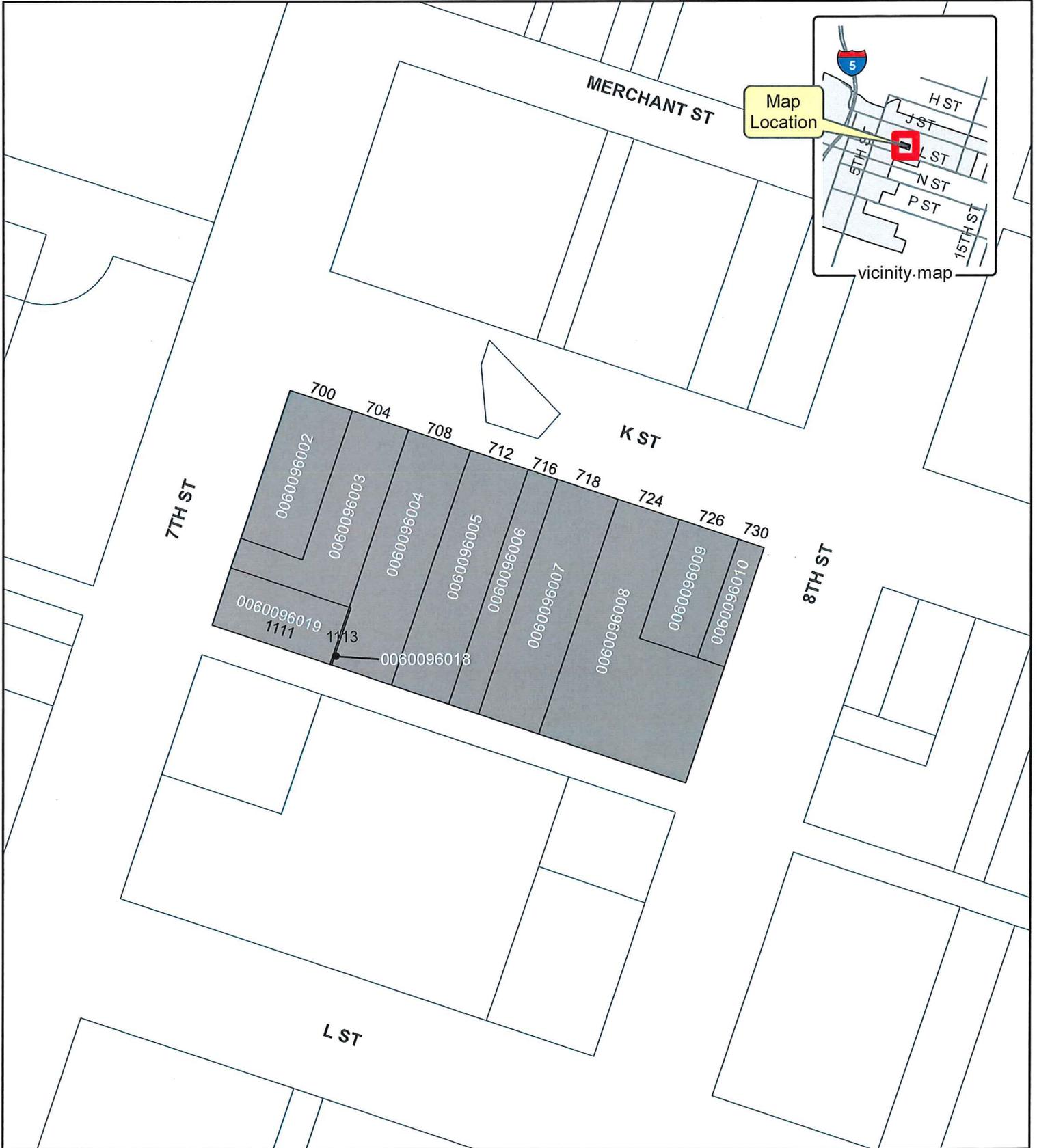
Approved as to form:

Agency Counsel

APPROVED AS TO FORM:

CITY ATTORNEY



700 Block of K Street



Legend: 700 Block of K Street

Scale: 0 100 200 Feet

North Arrow:

SHRA GIS
September 22, 2014



NORTH ELEVATION AT ROOF GARDEN



NORTH / K STREET ELEVATION

700 BLOCK INVESTORS LP | **700 BLOCK** 700 K STREET SACRAMENTO, CA | NORTH ELEVATIONS | kuchman ARCHITECT PC | A3.2



WEST / 7TH STREET ELEVATION

EAST / 8TH STREET ELEVATION



SOUTH / ALLEY ELEVATION

700 BLOCK INVESTORS LP | **700 BLOCK** 700 K STREET SACRAMENTO, CA | SOUTH, EAST & WEST ELEVATIONS | kuchman ARCHITECT PC | A3.1

700 Block of K Street Background Information

The Developer, a joint venture of CFY Development, Inc. and D&S Development Inc., proposes to create a mixed-use development on the south side of K Street between 7th and 8th Streets, by restoring the historic storefronts along K Street, rehabilitating the commercial spaces, and constructing a new 6-story residential building over two levels of parking. A total of 63,000 sq. ft of commercial space will be provided. Parking spaces will be available to residential tenants.

The present staff report addresses only the actions needed by the Housing Authority and the City Council to approve the Agency funding and bond financing for the residential portion of the project. Therefore, the following background information focuses on the residential portion of the project.

Residential Project Description: To address the goal for additional housing units on K Street, the project includes 137 residential units: 15 over the commercial uses along K Street and 122 units in the new structure along the alley. Units will range in size from studios to two-bedrooms. 72 of the units will be restricted at 60% of area median income (AMI), with 11 units at 50% of AMI and the rest will be unrestricted and rented at market rate. Resident amenities will include a community room, fitness room, and laundry room, as well as a private rooftop garden and onsite parking.

Developer: The Developer, 700 Block LLC, is led by CFY Development, Inc, and D&S Development Inc. CFY has more than 20 years experience in affordable housing and D&S Development, Inc. has been developing and providing management services to commercial and office properties in the Sacramento area for many years. The Sacramento Housing and Redevelopment Agency ("Agency") has previously participated in the financing of five affordable housing projects initiated by CFY Development in the greater Sacramento area. The 184 unit Cordova Meadows project involved the rehabilitation of 32 boarded and vacant buildings for affordable family housing in Rancho Cordova, two projects were renovated in the Auburn Boulevard Redevelopment Area, County Square Senior Apartments (78 units) and Ladan Senior Apartments (147 units), the 134 unit historic renovation of the Globe Mills, and most recently the renovation of the Ridgeway Studios (22 units). In addition, the Agency has been engaged with D&S Development Inc. on the renovation of the Maydestone.

Managing General Partner: The managing General Partner for the Project will be Community Revitalization & Development Corporation (CRDC). CRDC has served as the managing general partner for multifamily projects totaling over

4,000 units throughout California, including Northpointe Park Apartments in Sacramento and Waterman Square Apartments in Elk Grove.

Property Management: Property management will be provided by CFY Development Inc. The property manager has submitted a property management plan to the Agency, and the Agency has approved the final version of this plan prior to disbursement of project financing.

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

Security: Developer will be required to provide a security camera system and lighting adequate to properly illuminate all common spaces. In addition, Developer has included funding for security patrol.

Project Financing: The residential portion of the project is proposed to be funded with Low-Income Housing Tax Credit (LIHTC) equity from Four-percent Federal tax credits, tax-exempt mortgage revenue bonds of up to \$20 million, the \$10.1 million in previously committed by the Redevelopment Agency, \$2 million of additional City Funds, a developer loan, and a deferred developer fee.

The \$10.1 million of previous low-moderate funds will be contributed to the project in the form of a loan and grant. Due to the tax exempt nature off the project funding \$6,280,262 can be repaid to the Agency. This portion will be loaned to the project. The remaining \$3,819,738 of funding must be granted to the Downtown Sacramento Revitalization Corporation (DSRC). DSCR will be required to contribute the grant proceeds to the project pursuant to the commitment letter attached to this staff report.

Redevelopment – Housing Successor Agency: As of February 1, 2012, all Redevelopment Agencies were dissolved and their assets, properties, contracts, leases, and ongoing functions were transferred to successor agencies. The City designated the Housing Authority of the City of Sacramento as the local authority to retain the housing assets and functions previously performed by the Redevelopment Agency of the City of Sacramento.

Bond Financing: As a public entity, the Housing Authority can issue tax-exempt bonds, the proceeds of which can provide acquisition, construction, and

permanent financing for multi-family housing projects. Interest paid on the bonds is exempt from federal and state income tax, so bondholders will accept a below-market yield from the bonds. These savings are, in turn, passed on to the project owner in the form of a below-market rate loan, with interest rates approximately one to two percent below prevailing market rates.

The bonds for the project are intended to be privately-placed. The Agency will report back to the Housing Authority with the request for final approval of the bond documents. The law firm of Orrick, Herrington and Sutcliffe LLP, will serve as bond counsel to the Housing Authority.

State and Local Approval Process: The Housing Authority must apply for (and receive) authorization from the California Debt Limit Allocation Committee (CDLAC) prior to issuing tax-exempt mortgage revenue bonds. The “volume cap” is limited and is allocated by CDLAC through a state-wide process.

Project Inducement: CDLAC requires that an “inducement” resolution be adopted by the entity proposing to issue the bonds. The Inducement for this project was completed in 2013 and will allow the developer to be reimbursed from bond issue proceeds for expenses that have already been incurred and will be incurred in the future.

Low-Income Set-Aside Requirements: As a condition of receiving tax credits and the benefits of tax-exempt bond financing, federal law requires the units be set-aside for targeted income groups. Further restrictions on incomes and rents are imposed as a result of the \$10.1 million from the Housing Authority. Regulatory restrictions on the units will last for 55 years. The following chart summarizes the combined proposed affordability restrictions:

Funding	% of Units	Affordability Restrictions	No. Units	Regulatory Requirements
Tax-Exempt Bonds Tax Credits (LIHTC)	8%	Very Low Income (50% AMI)	11	55 years
Agency Loan	52%	Low Income (60% AMI)	72	55 years
Unrestricted	40%	Unrestricted	54	None.
Total	100%		137	

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

700 Block of K Street
Residential Project Summary

Address	700, 704, 708, 712, 716, 718, 724, 726, and 730 K Street, 1111 and 1113 7th Street, and 1114 8th Street		
Number of Units	137		
Year Built	Various, partially new construction		
Acreage	1.175 acres		
Affordability	11 units (8%) at or below 50% of Area Median Income (AMI) 72 units (53%) at or below 60% of Area Median Income (AMI) 54 units (39%) unregulated market rate		
Unit Mix and Rents	50% AMI	60% AMI	Market Rate
Studio	4	21	17
1 BR / 1 BA	6	47	30
2 BR / 1 BA	1	4	7
Total	11	72	54
Square Footage	<i>Per Unit</i>	<i>Total</i>	
Studio	533	22,386	square feet
1 BR / 1 BA	685	56,865	square feet
2 BR / 1 BA	1,175	14,096	square feet
Total Residential		93,347	square feet
Total Parking		28,834	square feet
Total Other (common spaces, etc.)		51,239	square feet
TOTAL SQUARE FOOTAGE		173,420	square feet
Resident Facilities	The project will include onsite parking, a community area with kitchen, computer center, and activity area; a laundry room; a fitness room; and a private rooftop garden.		
Permanent Sources	<i>Total</i>	<i>Per Unit</i>	<i>Per Square Foot</i>
Mortgage Revenue Bond	\$ 12,726,317	\$ 92,893	\$ 73.38
Tax Credit Equity	\$ 8,799,498	\$ 64,230	\$ 50.74
SHRA Loan	\$ 6,280,262	\$ 45,841	\$ 36.21
SHRA Grant to DSCR	\$ 3,819,738	\$ 27,881	\$ 22.03
City Loan to DSRC	\$ 1,600,000	\$ 11,679	\$ 9.23
City Grant to DSRC	\$ 240,000	\$ 1,752	\$ 1.38
DSRC Loan	\$ 160,000	\$ 1,168	\$ 0.92
Deferred Developer Fee	\$ 1,250,000	\$ 9,124	\$ 7.21
Developer Loan	\$ 1,500,000	\$ 10,949	\$ 8.65
TOTAL SOURCES	\$ 36,375,815	\$ 265,517	\$ 209.76
Permanent Uses			
Acquisition Costs	\$ -	\$ -	\$ -
Construction Costs	\$ 26,967,448	\$ 196,843	\$ 155.50
Contingency	\$ 1,078,689	\$ 7,874	\$ 6.22
Financing Costs	\$ 1,566,332	\$ 11,433	\$ 9.03
Reserves	\$ 519,609	\$ 3,793	\$ 3.00
Legal Fees	\$ 360,000	\$ 2,628	\$ 2.08
Permits	\$ 1,900,000	\$ 13,869	\$ 10.96
Architecture and Engineering	\$ 956,542	\$ 6,982	\$ 5.52
Developer Fee	\$ 2,500,000	\$ 18,248	\$ 14.42
Other	\$ 527,195	\$ 3,848	\$ 3.04
TOTAL USES	\$ 36,375,815	\$ 265,517	\$ 209.76
Management / Operations			
Proposed Developer:	CFY Development, Inc. and D&S Development, Inc.		
Property Management Company:	CFY Development, Inc.		
Operations Budget:	\$524,560	\$3,829	
Resident Services:	\$29,500	\$215	
Replacement Reserves:	\$34,250	\$250	

700 Block of K Street

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Unit Type	Number	Square Feet	Total Sq Feet	Gross Rent	Utility Allowance	Net Rent	Rent per Sq Foot	Total Mo. Rent	Annual Rent
Studio @ 50% AMI	4	458	1,832	\$ 601.00	\$ 42	\$ 559	\$ 1.22	\$ 2,236	\$ 26,832
Studio @ 60% AMI	21	482	10,127	\$ 721.00	\$ 42	\$ 679	\$ 1.41	\$ 14,259	\$ 171,108
Studio @ Market	8	564	4,512	\$ 1,100.00		\$ 1,100	\$ 1.95	\$ 8,800	\$ 105,600
Studio w/Den @ Market	9	657	5,915	\$ 1,261.11		\$ 1,261	\$ 1.92	\$ 11,350	\$ 136,200
1 BR @ 50% AMI	8	560	4,481	\$ 644.00	\$ 46	\$ 598	\$ 1.07	\$ 4,784	\$ 57,408
1 BR @ 60% AMI	46	652	29,996	\$ 773.00	\$ 46	\$ 727	\$ 1.11	\$ 33,442	\$ 401,304
1 BR @ Market	24	727	17,451	\$ 1,494.79		\$ 1,495	\$ 2.06	\$ 35,875	\$ 430,500
1BR w/Den @ Market	4	1021	4,084	\$ 1,812.50		\$ 1,813	\$ 1.78	\$ 7,250	\$ 87,000
2 BR @ 50% AMI	2	946	1,892	\$ 773.00	\$ 63	\$ 710	\$ 0.75	\$ 1,420	\$ 17,040
2 BR @ 60% AMI	3	868	2,605	\$ 928.00	\$ 63	\$ 865	\$ 1.00	\$ 2,595	\$ 31,140
2 BR @ Market	6	1416	8,496	\$ 2,058.33		\$ 2,058	\$ 1.45	\$ 12,350	\$ 148,200
2 BR TWN @ Market	1	1103	1,103	\$ 2,100.00		\$ 2,100.00		\$ 2,100	\$ 25,200
Manager Unit	1	853	853					\$ -	\$ -
Total / Average for Restricted Units	137	681	93,347				\$ 1.46	\$ 136,461	\$ 1,637,532

	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	2051 Year 35	2056 Year 40	2061 Year 45	2066 Year 50	2071 Year 55
Residential Income																		
Potential Gross Rental Income	2.50%		11,953	1,637,532	1,678,470	1,720,432	1,763,443	1,807,529	2,045,053	2,313,790	2,617,841	2,961,847	3,351,058	3,791,414	4,289,637	4,853,331	5,491,098	6,212,673
Other Tenant Income (laundry, vending)	2.50%		144	19,728	20,221	20,727	21,245	21,776	24,638	27,875	31,538	35,683	40,372	45,677	51,679	58,470	66,153	74,847
Parking	2.50%		356	48,720	49,938	51,186	52,466	53,778	60,845	68,840	77,886	88,121	99,701	112,802	127,626	144,397	163,372	184,840
Storage Units	2.50%		42	5,716	5,859	6,005	6,156	6,309	7,139	8,077	9,138	10,339	11,697	13,234	14,973	16,941	19,167	21,686
Less Vacancy	5.00%		(625)	(85,585)	(87,724)	(89,918)	(92,165)	(94,470)	(106,884)	(120,929)	(136,820)	(154,799)	(175,141)	(198,156)	(224,196)	(253,657)	(286,990)	(324,702)
Effective Gross Income				\$1,626,111	\$1,666,764	\$1,708,433	\$1,751,144	\$1,794,923	\$2,030,790	\$2,297,653	\$2,599,583	\$2,941,190	\$3,327,686	\$3,764,971	\$4,259,719	\$4,819,482	\$5,452,801	\$6,169,344
Residential Expenses																		
Property Management Fee	3.50%		480	65,760	68,062	70,444	72,909	75,461	89,624	106,445	126,424	150,152	178,333	211,804	251,556	298,770	354,845	421,445
Operating Expenses	3.50%		3,349	458,800	474,858	491,478	508,680	526,484	625,297	742,657	882,044	1,047,591	1,244,210	1,477,731	1,755,081	2,084,485	2,475,714	2,940,372
Resident Services	3.50%		215	29,500	30,533	31,601	32,707	33,852	40,205	47,751	56,714	67,358	80,000	95,015	112,848	134,029	159,184	189,061
Taxes/Assessments/Mello Roos	2.00%		800	109,599	111,791	114,027	116,307	118,633	130,981	144,614	159,665	176,283	194,631	214,888	237,254	261,947	289,211	319,312
Replacement Reserves	0.00%		250	34,250	34,250	34,250	34,250	34,250	34,250	34,250	34,250	34,250	34,250	34,250	34,250	34,250	34,250	34,250
Total Expenses			5,094	\$697,909	\$719,493	\$741,800	\$764,854	\$788,680	\$920,358	\$1,075,717	\$1,259,096	\$1,475,634	\$1,731,424	\$2,033,688	\$2,390,989	\$2,813,481	\$3,313,205	\$3,904,440
Total Net Operating Income				\$928,202	\$947,271	\$966,633	\$986,290	\$1,006,242	\$1,110,432	\$1,221,935	\$1,340,487	\$1,465,555	\$1,596,262	\$1,731,283	\$1,868,730	\$2,006,000	\$2,139,596	\$2,264,904

Debt Service				35	35	35	35	35	35	35	35	35	35	35	35	35	35	35
Senior Loan	amount	rate	term	780,002	780,002	780,002	780,002	780,002	780,002	780,002	780,002	780,002	780,002	780,002	780,002	780,002	780,002	780,002
Senior Loan	\$12,726,317	5.100%	35	780,002	780,002	780,002	780,002	780,002	780,002	780,002	780,002	780,002	780,002	780,002	780,002	780,002	780,002	780,002
SHRA Administration Fee	\$18,000,000	0.150%		27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000
Total Debt Service				807,002	807,002	807,002	807,002	807,002	807,002	807,002	807,002	807,002	807,002	807,002	807,002	807,002	807,002	807,002
DCR on Senior Loan				1.15	1.17	1.20	1.22	1.25	1.38	1.51	1.66	1.82	1.98	64.12	69.21	74.30	79.24	83.89

Net Cash after Debt Service				\$121,200	\$140,269	\$159,632	\$179,288	\$199,241	\$303,430	\$414,933	\$533,485	\$658,554	\$789,260	\$1,704,283	\$1,841,730	\$1,979,000	\$2,112,596	\$2,237,904
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Priority Distributions				7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Managing General Partner Fee				7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Investor Asset Management Fee				7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Supplemental Annual Admin Fee				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Deferred Developer Fee				1,250,000	1,193,800	1,116,283	1,016,302	892,666	0	0	0	0	0	0	0	0	0	0
Principal Balance	\$1,250,000	4.00%		1,250,000	1,193,800	1,116,283	1,016,302	892,666	0	0	0	0	0	0	0	0	0	0
Payment				106,200	125,269	144,632	164,288	184,241	0	0	0	0	0	0	0	0	0	0
Balance				\$1,193,800	\$1,116,283	\$1,016,302	\$892,666	\$744,132	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Developer Loan				1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	510,139	0	0	0	0	0	0	0	0
Starting Balance	\$1,500,000	4.00%		1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	510,139	0	0	0	0	0	0	0	0
Interest for Period				60,000	60,000	60,000	60,000	60,000	60,000	20,406	0	0	0	0	0	0	0	0
Accumulated Interest				60,000	120,000	180,000	240,000	300,000	474,407	20,406	0	0	0	0	0	0	0	0
Residual Payment				0	0	0	0	0	288,430	399,933	0	0	0	0	0	0	0	0
Ending Balance				\$1,560,000	\$1,620,000	\$1,680,000	\$1,740,000	\$1,800,000	\$1,685,977	\$130,611	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

DSRC Loan - City				1,760,000	1,760,000	1,760,000	1,760,000	1,760,000	1,760,000	1,760,000	1,760,000	1,760,000	1,760,000	1,760,000	606,177	0	0	0
Principal Balance	\$1,760,000	4.00%		1,760,000	1,760,000	1,760,000	1,760,000	1,760,000	1,760,000	1,760,000	1,760,000	1,760,000	1,760,000	1,760,000	606,177	0	0	0
Interest for Period				70,400	70,400	70,400	70,400	70,400	70,400	70,400	70,400	70,400	70,400	70,400	24,247	0	0	0
Accumulated Interest				70,400	140,800	211,200	281,600	352,000	704,000	1,056,000	1,408,000	1,191,980	848,549	372,559	24,247	0	0	0
Payment				0	0	0	0	0	0	103,697	128,711	154,852	337,857	365,346	0	0	0	0
Balance				\$1,830,400	\$1,900,800	\$1,971,200	\$2,041,600	\$2,112,000	\$2,464,000	\$2,816,000	\$3,064,303	\$2,823,269	\$2,453,697	\$1,794,702	\$265,078	\$0	\$0	\$0

SHRA Loan				6,280,262	6,280,262	6,280,262	6,280,262	6,280,262	6,280,262	6,280,262	6,280,262	6,280,262	6,280,262	6,280,262	5,250,867	0	0	1
Principal Balance	\$6,280,262	4.00%		6,280,262	6,280,262	6,280,262	6,280,262	6,280,262	6,280,262	6,280,262	6,280,262	6,280,262	6,280,262	6,280,262	5,250,867	0	0	1
Interest for Period				251,210	251,210	251,210	251,210	251,210	251,210	251,210	251,210	251,210	251,210	251,210	210,035	0	0	0
Accumulated Interest				251,210	502,421	753,631	1,004,842	1,256,052	2,512,105	3,768,157	4,259,370	4,401,692	4,140,549	3,459,635	210,035	0	0	0
Payment				0	0	0	0	0	0	191,374	270,584	353,364	1,062,879	1,149,929	0	0	0	
Balance				\$6,531,472	\$6,782,683	\$7,033,893	\$7,285,104	\$7,536,314	\$8,792,367	\$10,048,419	\$10,348,258	\$10,411,371	\$10,067,446	\$8,677,018	\$4,310,973	\$0	\$0	\$0

MAXIMUM RENT AND INCOME LEVELS 2014
(Rents @ 50% and 60% of AMI where applicable)

Maximum Income Limits:		
Family Size	Max Income <i>50% AMI</i>	Max Income <i>60% AMI</i>
1 person	\$26,650	\$31,980
2 person	\$30,450	\$36,540
3 person	\$34,250	\$41,100
Maximum Rent Limits: LIHTC, Mortgage Revenue Bonds, Tax Increment Funds		
Unit Size	Gross Rent <i>50% AMI</i>	Gross Rent <i>60% AMI</i>
Studio	\$601	\$721
1 Bedroom	\$644	\$773
2 Bedroom	\$773	\$928

RESOLUTION NO. 2014 - __

Adopted by the Housing Authority of the City of Sacramento

700 BLOCK OF K: AFFIRMATION OF PRIOR COMMITMENT OF FUNDS TO THE 700 BLOCK OF K STREET, APPROVAL of \$6,280,262 LOAN COMMITMENT WITH 700 BLOCK INVESTORS, L.P., APPROVAL OF \$3,819,738 GRANT COMMITMENT WITH THE DOWNTOWN REVITALIZATION CORPORATION, AUTHORIZATION TO EXECUTE LOAN AND GRANT COMMITMENTS

BACKGROUND

- A. On June 21, 2011, the Redevelopment Agency of the City of Sacramento ("Redevelopment Agency" or RDA) authorized a commitment of \$10.1 million of Downtown low-moderate tax-exempt bond funds to the Downtown Sacramento Revitalization Corporation to finance the rehabilitation and new construction of a 137-unit multifamily housing facility located at 700-730 K Street, Sacramento, California and commonly known as the 700 Block of K Street Project (the "Project").
- B. 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.
- C. The City of Sacramento previously established the Redevelopment Agency in order to carry out plans for the improvement, rehabilitation, and redevelopment of blighted areas within the City.
- D. 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.
- E. 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 and authorized the Executive Director to take actions necessary to comply with the designation in a manner that is consistent with federal and state law.
- F. This transfer, including the \$10.1 million of project funding, was ratified by the Oversight Board for the Redevelopment Successor Agency by its Resolution No. 2012-006 adopted on May 21, 2012.
- G. On April 1, 2013, the State Department of Finance completed review and issued a determination which approved the Housing Authority's Housing Asset Transfer Form and Project funding.
- H. One August 14, 2013 the State Department of Finance completed its Low and Moderate Income Housing Fund Due Diligence Review and issued a

determination which approved Project funding. There are no outstanding issues related to the dissolution process and the Project at this time and accordingly the \$10.1 million of project funding has become an asset of the Housing Authority. Due to changes in the project structuring, \$6,280,263 of the \$10.1 million will be structured as a loan to the 700 Block Investment Partners, L.P. and \$3,819,737 will be structured as a grant to the Downtown Sacramento Revitalization Corporation.

- I. An Environmental Impact Report was completed and certified by the City Planning Commission May 12, 2011.

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

- Section 1. The Housing Authority has reviewed the Environmental Impact Report, which was certified by the City of Sacramento Planning Commission on May 12, 2011, and has considered the environmental effects of the proposed project in accordance with California Environmental Quality Act (CEQA) Guidelines §15096(f). The actions do not require further environmental review per CEQA Guidelines §§ 15162 or 15163. The Housing Authority hereby adopts the Findings of Fact and Statement of Overriding Considerations prepared in accordance with CEQA Guidelines §§ 15091 and 15093, and on file with the Sacramento Housing and Redevelopment Agency (Agency) Authority Clerk.
- Section 2. The Housing Authority of the City of Sacramento affirms that the previous commitment of \$10.1 million of Housing Authority funds to the project for the purpose of funding the residential portion of the 700 Block of K Street Project is valid and remains in full force and the Executive Director is authorized take actions she deems necessary to complete the financing of the Project.
- Section 3. The Executive Director is authorized to execute the Loan Commitment, attached as Exhibit A, for financing the Project with \$6,280,262 in Housing Authority funds and transmit the Loan Commitment to the Developer.
- Section 4. The Executive Director is authorized to execute the Grant Commitment, attached as Exhibit B, for financing the Project with \$3,819,738 in Housing Authority funds and transmit the Loan Commitment to the Developer and Downtown Sacramento Revitalization Corporation.
- Section 5. The Executive Director 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 and Grant Commitments that accompany 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.

Table of Contents:

- Exhibit A: Loan Commitment
- Exhibit B: Grant Commitment

October 1, 2014

Ali Youssefi
700 Block Investors, L.P.
1006 Forth Street Suite 701
Sacramento, Ca 95814

RE: Conditional Funding Commitment, 700 Block of K Project

Dear Mr. Youssefi,

On behalf of the Housing Authority of the City of Sacramento ("Agency"), we are pleased to advise you of its commitment of construction and permanent loan funds ("Loan") of \$6,280,262 in former Downtown Low/Moderate Housing Bond funds currently controlled by the Housing Authority for the purpose of financing the development of that certain real property located north half of the block bounded by 7th, 8th, K, and L streets, in Sacramento, California ("Property"). The Agency's decision is based on your application, and all representations and information supplied by you to it. If these representations and information change in a material manner without written approval of Agency, this commitment is void. Agency's obligation to make the Loan is subject to satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

The Loan shall be made on standard Agency loan documents. No material loan terms not in this funding commitment shall be included in the final loan documents without additional environmental review and governing board approval with the exception of changes the Agency is authorized to make in accordance with the City Council resolution approved on October 7, 2014. 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 a financing commitment. The Agency may, in exercise of its absolute discretion, modify its requirements upon written notice to Borrower given at least sixty days prior to close of escrow for the Property.

This commitment will expire on April 1, 2015, unless extended by SHRA in its sole discretion.

1. PROJECT DESCRIPTION: The Project is the rehabilitation of the existing commercial properties on the south side of K Street between 7th and 8th Streets in Downtown Sacramento and the creation of 137 mixed-income rental units, including 15 units in the rehabilitated buildings and 122 units in a newly constructed mid-rise building to the south of, and attached to, the commercial properties.
2. BORROWER: The name of the Borrower for the Loan is 700 Block Investors, L.P., or other related entity controlled by the principals, as of the date of this commitment letter, of a) D & S Development, Inc., and b) CFY Development, Inc.
3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely to pay the costs of construction and permanent financing, or for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, and such other agreements as may be generally required by the Agency for the use of the funding source for the Loan.
4. PRINCIPAL AMOUNT: The combined principal amount of the Loan will be the lesser of (a) Six Million Two Hundred Eighty Thousand Two Hundred Sixty Two Dollars (\$6,280,262), or (b) an amount to be determined by the Agency prior to close of the Loan based on a project budget approved by Agency. However, the combined indebtedness of the Property must not exceed ninety percent of the appraised value.
5. TERM OF LOAN TERM: The Loan shall mature 55 years, (or 684 months), from the effective date of the loan.
6. INTEREST RATE: The Loan shall bear simple interest at Four Percent (4%) per annum. Interest shall be calculated on the basis of a 365-day year and actual days elapsed.
7. LOAN REPAYMENT: Monthly principal and interest payments shall be deferred from the Loan's Effective Date through the completed payment of the deferred developer fee and Developer's Project Loan or 228 months from the effective date of the loan agreement. Starting in month 229 and continuing until month 252, structured monthly installments shall be made according to the payment schedule contained in the final Loan Agreement, calculated to achieve an annual 1.2 debt coverage ratio including all debt in superior position. Monthly payments shall be applied first to outstanding interest accrued and unpaid and then to principal. After month 230, payments will be made on a residual receipt basis. All outstanding principal and interest is due and payable on the maturity date.

SOURCE OF LOAN FUNDS: Agency is making the Loan of \$6,280,262 and the Loan is subject to all requirements related to the use of such, whether Agency requirements or otherwise.

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)

8. 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.
9. 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 forth lien upon the Property and Improvements subject only to other items as the Agency may approve in writing. The Loan shall also be secured by security agreements. The Agency will subordinate said deeds of trust in order to accommodate completion of construction of the Property.
10. 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.
11. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$8,700,000 in Low Income Housing Tax Credit Equity and no less than \$2,750,000 in combined deferred developer fee and developer loan or such other amount as shall be reasonably approved by the Agency and Grantee.
12. 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.
 - (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.
13. 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) investors 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.
14. LOAN IN BALANCE: Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders are sufficient, in the sole judgment of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency. Should the Agency determine that the Loan is not "in balance", the Agency may declare the Loan to be in default.
16. PLANS AND SPECIFICATIONS: Final plans and specifications for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the disbursal of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the project.
17. ARCHITECTURAL AGREEMENT: The architectural agreement ("Agreement") for the preparation of the plans and specifications and other services shall be

subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.

18. CONSTRUCTION CONTRACT: The construction contract ("Contract"), and any change orders issued thereunder, and the contractor ("Contractor") to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Contract as security for the Loan.
19. RETENTION AMOUNT: The Agency shall retain ten percent (10%) as retention from each disbursement for construction related expenses, not to exceed a total of ten percent (10%) of the total amount of the Loan.
20. COST BREAKDOWN: Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, which breakdown conforms to the project plans and specification and the budget approved with this commitment. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

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

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

21. COST SAVINGS: At completion of construction, borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which cost certification, shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the projected final sources of funding. If there is an aggregate savings, net of any increases or decreases in sources of funding, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Agency, the Agency shall withhold for itself as loan repayment, one-half of such savings from the amount of retention then held by the Agency, and the Loan balance shall be reduced by the amount so withheld. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency loan based upon this

cost certification, the projected final sources of funding, and the original approved budget for the project.

22. START OF CONSTRUCTION: Borrower shall commence construction at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than 60 days following the close of construction financing.
23. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than December 31, 2016..
24. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance in lieu such insurance, Builder's Risk completed value insurance in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000.00).
25. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain commercial general and property damage insurance (with Agency named as additional insured) in a form approved by Agency. Coverage must be approved by Agency and must be in at least the following limits of liability: (1) Commercial General Liability insurance in Insurance Services Office ("ISO") policy form CG 00 01 Commercial General Liability (Occurrence) or better with limits of liability, which are not less than \$1,000,000, per occurrence limit; \$5,000,000 general aggregate limit, and \$5,000,000 products and completed operations aggregate limit, all per location of the Project; (2) Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single limit and \$1,000,000 aggregate; (3) Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$1,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate; and (4) Comprehensive Automobile Liability for any vehicle used for or in connection with the Work of \$1,000,000. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000). Borrower must also procure and maintain workers' compensation and all other insurance required under applicable law, as required by law and as approved by Agency.
26. TITLE INSURANCE: Borrower must procure and deliver to Agency a 2006 ALTA LP-10 Lender's Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to CLTA endorsement nos. 100, 116, and 102.5/102.7 insuring Agency in an amount equal to the principal amount of the Loan, that Agency's Deed of Trust constitutes a third lien or charge upon

the Property and Improvements subject only to such items as shall have been approved by Agency. There must be no exceptions permitted for mechanics liens. Title insurance for the Loan must be issued by a title insurer approved by Agency.

27. ORGANIZATIONAL AGREEMENTS: Borrower must submit to Agency certified copies of all of Borrower's organizational documents, including all amendments, modifications or terminations: if a corporation, Borrower's Articles of Incorporation and By-Laws; if a partnership, its Partnership Agreement and, as applicable, Certificate of Limited Partnership or Statement of Partnership; if a Limited Liability Company, its Articles of Organization and its Operating Agreement; and in all cases with all exhibits and amendments to such documents, fictitious business name statements, other related filings or recorded documents and such related documents as Agency may request. If it is a corporation, Borrower must submit a corporate borrowing resolution referencing this Loan. If Borrower is other than a corporation, Borrower must submit such proof of authority to enter this Loan as may be required under the organizational documents.
28. ACQUISITION OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's acquisition of the Property.
29. FINANCIAL INFORMATION: During the term of the Loan, Borrower shall deliver to Agency within 120 days of the end of each fiscal year an audited income and expense statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. During the term of the Loan, Borrower must deliver to Agency a monthly rent-roll including household composition information, and operating statements with respect to the Property and Improvements, as Agency may request.
30. MANAGEMENT AGREEMENT: Prior to execution, Borrower must submit to Agency any agreement providing for the management or operation of the Property or Improvements by a third party which agreement is subject to Agency Approval.
31. LOW INCOME HOUSING TAX CREDITS("LIHTC"): Borrower represents that as a condition of closing this Loan it is applying for an allocation of LIHTCs and agrees to perform all actions and to meet all requirements to maintain the LIHTC allocation if granted.
32. SECURITY AND LIGHTING: Project shall include a security camera system approved by the Agency and lighting adequate to properly illuminate the parking area and all common spaces. In addition, project will include security patrol if necessary.

33. RESIDENT SERVICES PLAN: Borrower shall submit for approval a detailed resident services plan including but not limited to, the following information: 1) identification of all entities responsible for providing social services to Project tenants and each entity's role in the provision of those services; 2) the services will be provided for a minimum of 15 hours per week; 3) confirmation services will be provided according to the Agency's minimum requirements as specified in the Multifamily Lending and Mortgage Revenue Bond Policies; 4) a description of the programs to be offered, and; 5) a Proforma social services budget.
34. 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.
35. DOCUMENTATION: This letter is not intended to describe all of the requirements, terms, conditions and documents for the Loan, which shall also include customary provisions and documents for an Agency transaction of this type. All documents to be delivered to or approved by Agency must be satisfactory to Agency in all respects. Borrower must promptly deliver to Agency any further documentation that may be required by Agency.
36. CONSISTENCY OF DOCUMENTS: As a material obligation under this commitment letter, Borrower shall assure that the loan documents for the Project are consistent with lender's commitment approved by the Agency and comply, in all respects, with this commitment letter.
37. EXTENSION OF COMMITMENT TERM: In the event the Project is not successful in securing the funding described in Sections 13 and 14 by April 1, 2015, the Agency in its sole discretion, which discretion shall not be unreasonably withheld, may extend the expiration date of this commitment letter to a date no later December 31, 2015 (the "New Expiration Date"). If the Developer is unsuccessful in securing funding by December 2015 and desires to extend the term of this commitment, the Developer must provide documentation to Agency that demonstrates a good faith effort to secure the prerequisite funding by no later than April 2015. In the event Agency extends the expiration date as described here, Developer has until the New Expiration Date to secure and close on the Project financing, until one month after the New Expiration Date to begin construction, and until 24 months after the New Expiration Date to complete construction. Under no circumstances shall project construction begin later than December 31, 2015 or end later than December 31, 2017.
37. CHANGES OR AMENDMENTS: No documents or contracts which are to be delivered to Agency or are subject to Agency's review or approval shall be modified or terminated without the prior written approval of Agency.
38. ACCEPTANCE OF THIS COMMITMENT: Borrower's acceptance of this Commitment shall be evidenced by signing and delivering to Agency the enclosed

copy of this letter. Until receipt of such acceptance by Agency, Agency shall have no obligation under this letter. Agency may withdraw this commitment at any time prior to Borrower's acceptance.

Yours truly,

Housing Authority of the City of Sacramento

LaShelle Dozier, Executive Director

Dated: _____

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

BORROWER:

700 Block Investors, L.P.
a California limited partnership

By: 700 Block, LLC, a California limited liability company
its sole member

By: _____
Cyrus Youssefi, Member

By: _____
Ali Youssefi, Member and Manager

By: _____
David Miryabianeh, Member

By: _____
Behroze Miryabianeh, Member and Manager

By: _____
Steve Lebastchi, Member

Dated: _____

October 1, 2014

Downtown Sacramento Revitalization Corporation
915 I Street, NCH – 4th Floor
Sacramento, CA 95814

RE: Conditional funding commitment, 700 Block of K Street

Dear Grantee:

On behalf of the Housing Authority of the City of Sacramento ("Agency"), we are pleased to advise you of its commitment to provide a grant \$3,819,738 of former Downtown Low/Moderate Housing Tax-Exempt Bond funds currently controlled by the Housing Authority ("Grant") for the purpose of financing the development of that certain real property located in the north half of the block bounded by 7th, 8th, K, and L streets, in Sacramento, California ("Property"). Agency's decision is based on 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 Grant and Loan is subject to satisfaction of all the following terms and conditions and Grantee's execution of documentation that is in a form and in substance satisfactory to the Agency.

The funds subject to this commitment are payable only from the sources identified, above, and are limited by their availability and are not a general obligation of the Housing Authority, the City or any other public or private person or entity.

The Grant shall be made on standard Agency documents. No material terms not in this funding commitment shall be included in the final documents without additional environmental review if there are changes to the physical project, and governing board approval if there are material changes to the terms, herein. In the event of any discrepancies between terms stated in this commitment and the documents, the terms stated in the loan documents shall prevail.

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 Grantee given at least sixty days prior to close of escrow for the Project financing.

This letter constitutes a binding commitment to fund the Project. Except as provided in Section 19, Extension of Commitment Term, this commitment will expire on April 1, 2015.

1. PROJECT DESCRIPTION: The “Project” is the rehabilitation of the existing commercial properties on the south side of K Street between 7th and 8th Streets in Downtown Sacramento and the creation of 137 mixed-income rental units, including 15 units in the rehabilitated buildings and 122 units in a newly constructed mid-rise building to the south of, and attached to, the commercial properties.
2. GRANTEE: The name of the/Grantee for the Loan and the Grant is the Downtown Sacramento Revitalization Corporation (hereafter simply “Grantee”).
3. DEVELOPER: The Developer is 700 Block Investors, L.P., or other related entity controlled by the principals, as of the date of this commitment letter, of a) D & S Development, Inc., and b) CFY Development, Inc. Developer’s legal entity will be established for the purpose of this Project and must be eligible to receive Low Income Housing Tax Credits (LIHTC).
4. PRINCIPAL AMOUNT:
The total amount of the Grant will be the lesser of (i) Three Million Eight Hundred Nineteen Thousand Seven Hundred Thirty-Eight Dollars (\$3,819,738).
5. PURPOSE OF GRANT: The Grant is to be used by Grantee solely to pay the costs of rehabilitation and new construction of the Project, for such other purposes as Agency expressly agrees to in the Owners Participation Agreement (OPA) by and between Agency and Developer (or other related entity controlled by the principals of D & S Development, Inc. and CFY Development, Inc.) and in the grant agreements, and such other agreements between Agency and Grantee as may be generally required by the Agency for the use of the funding sources for Grant.

In order to accomplish the purposes stated in this paragraph, Grantee shall, prior to expiration of this commitment, or, if the commitment term is extended as provided in Section 26, by the New Expiration Date defined in that section, take the following actions:

- a. Make a loan (the “Developer Loan”) of \$3,159,738 to the 700 Block Investors, L.P. or related entity.

- b. Make a grant (the “Developer Grant”) of \$660,000 to the 700 Block Investors, L.P.
6. REPAYMENT OF DEVELOPER LOAN: Agency, Grantee and other lender staff have worked with the Developer to underwrite the Project and perform the associated due diligence. The Developer Loan shall be made, based on the following terms:
- a. Term of Developer Loan: The Developer Loan shall mature in Month 684 following the date of the disbursement of Developer Loan.
 - b. Interest Rate: The Developer Loan will bear interest at one percent (1%) interest
 - c. Amortization and Monthly Payments: Repayments of the Developer Loan to Grantee shall be made according to the following schedule:
 payment shall be due in Months 1 through 540 following the effective date of the Developer Loan. Starting in month 541, monthly installments shall be made based on residual receipts, calculated to achieve an annual 1.2 debt coverage ratio. Monthly payments shall be applied first to outstanding interest accrued and unpaid and then to principal. All outstanding principal and interest is due and payable on the maturity date. This schedule is predicated on the repayment of the Developer’s loan obligation to the Agency. If that loan is retired before its scheduled maturity date, the Developer Loan (i.e., loan between DSRC and Developer) payments would be due according to the 1.2 debt coverage ratio outlined above.
 - d. Loan Prepayment: Developer may repay loan to Grantee at any time during the term of the loan without penalty.
7. SOURCE OF LOAN FUNDS: Agency is making the Grant from the following sources of funds, and the Grant is subject to all requirements related to the use of such, whether Agency requirements or otherwise:

Grant: Former Merged Downtown Redevelopment Area Low/Moderate Tax Increment Housing Set-Aside Tax Exempt Bond Funds currently funds held by the Housing Authority

The Grant is conditioned upon Grantee’s acceptance of Agency’s requirements and conditions related to such programs and funding sources, including among others, the required forms of agreements for the Grant; the side funding agreements, the requirements for covenants, conditions and restrictions upon the Property; and insurance and indemnity requirements.

- 8. **Grantee acknowledges that, as a condition of the Agency’s providing financial assistance to the project , the Property will be subject to restrictions**

on future sales and rentals which may result in less income to Grantee than could otherwise be realized, and that such restrictions run with the land, and during their operational term, will bind all successors in interest.

_____ (Grantee Initial)

9. LEASE AND RENTAL SCHEDULE: Subject to the terms of the OPA by and between Agency and 700 Block Investors L.P. or other related entity, and pursuant to a forthcoming Regulatory Agreement between Agency and Developer, all residential non market rate leases of the Property and Improvements shall be subject to Agency's approval prior to execution. Grantee understands that Developer shall not deviate from the rental schedule presented in Developer's application for the Loan without Agency's prior written approval.

10. PROOF OF EQUITY: As a condition of disbursement of Loan and Grant proceeds, Grantee shall require Developer provide proof of equity for the Property and Improvements in the amount of Eight Million Seven Hundred Thousand Dollars (\$8,700,000) in Low Income Housing Tax Credit equity, or such amount as may be awarded.

11. OTHER FINANCING: As a condition precedent to the disbursement of Grant proceeds, Grantee must require Developer procure and deliver to Agency evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Project funding shall include all of the following described financing which may be secured by a lien upon the Property and Improvements, and which shall be otherwise on terms and conditions acceptable to Agency and Grantee.
 - a. Private Financing: Permanent financing from a private lender(s) of no less than Twelve Million Eight Hundred Thousand Dollars (\$12, 800,000) or such other amount as shall be reasonably approved by the Agency Director and Grantee. Grantee must require Developer provide evidence of firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency and Grantee.
 - b. Developer Financing: A commitment of no less than Two Million Seven Hundred and Fifty Thousand Dollars (\$2,750,000) in combined deferred developer fee and developer loan from the Developer or such other amount as shall be reasonably approved by the Agency Director and Grantee.
 - c. Agency Funding: The Agency funding provided through this commitment letter, provided, however that Agency is not obligated by this letter to make any contribution not stated in this letter.

Such commitments for financing shall not require modification of Agency grant documents.

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

12. ADDITIONAL DOCUMENTATION FROM DEVELOPER: Grantee acknowledges and understands that, prior to disbursement of Grant proceeds, Developer must deliver to Agency and Agency must approve all of the following documentation, as defined in and required by the OPA by and between Agency and 700 Block Investor, L.P. (or other related entity controlled by the principals of D & S Development, Inc. and CFY Development, Inc.):
- a. Architectural Agreement
 - b. Construction Contract
 - c. Cost Breakdown
 - d. Hazard Insurance
 - e. Public Liability and Other Insurance
 - f. Title Insurance
13. ADDITIONAL PROVISIONS IN DISBURSEMENT AGREEMENT: Prior to disbursement of Grant proceeds, Agency and Grantee, as well as the other parties to the transaction, including but not limited to the Developer, will enter into a Disbursement Agreement that will contain provisions in addition to those described in this commitment letter. These additional provisions will include, but not be limited to: retention from disbursements prior to project completion, distribution of cost savings at the completion of construction, and a “loan in balance” provision. The provisions in the Disbursement Agreement shall be consistent with these general provisions:
- a. Retention from Disbursements: The Developer shall withhold ten percent (10%) retention from each disbursement of Loan or Grant funds to the Developer, not to exceed a total of ten percent (10%) of the total amount of the Loan and Grant.
 - b. Cost Savings: At completion of construction, Developer shall submit to Agency a cost certification prepared by a qualified independent auditor acceptable to Agency, which cost certification shall indicate the amounts actually expended on each item in the Project budget. If there is an aggregate savings, net of any increases or decreases in sources of funding, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Agency, the Agency shall withhold for itself as grant 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 grant based upon this cost certification, the projected final sources of funding, and the original approved budget for the project.

14. START OF CONSTRUCTION: Project construction shall commence at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than April 1, 2015, except as provided in Section 20.
15. COMPLETION OF CONSTRUCTION: Construction of the Improvements shall be completed no later than December 31, 2016, except as provided in Section 20.
16. ORGANIZATIONAL AGREEMENTS: Grantee must ensure that the Developer submits to Agency certified copies of all of the organizational documents necessary for this Project. Grantee shall also ensure that such submittal also includes the certified copies of all of the Developer's organizational documents, including all amendments, modifications or terminations: if a corporation, Developer'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, Developer must submit a corporate borrowing resolution referencing this Loan. If Developer is other than a corporation, it must submit such proof of authority to enter this Loan as may be required under the organizational documents.
17. 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. During the term of the Loan, Developer shall deliver to Grantee 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 Grant and during its term, Grantee must deliver to Agency such additional financial information as may be requested by Agency. Similarly, prior to close of the Developer loan and during its term, Developer must deliver to Grantee such additional financial information as may be requested by Grantee. Agency reserves the right to review and approve financial statements and other credit information and references of both Grantee and Developer prior to closing. During the term of the Developer Loan, Grantee must cause Developer to 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.
18. DOCUMENTATION: This letter is not intended to describe all of the requirements, terms, conditions and documents for the Grant, 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. Grantee must promptly deliver to Agency any further documentation that may be required by Agency.

19. EXTENSION OF COMMITMENT TERM: In the event the Project is not successful in securing the funding described in Sections 11 and 12 by April 1, 2015, the Agency in its sole discretion, which discretion shall not be unreasonably withheld, may extend the expiration date of this commitment letter to a date no later December 31, 2015 (the "New Expiration Date"). If the Developer is unsuccessful in securing funding by December 2015 and desires to extend the term of this commitment, the Developer must provide documentation to Agency that demonstrates a good faith effort to secure the prerequisite funding by no later than April 2015. In the event Agency extends the expiration date as described here, Developer has until the New Expiration Date to secure and close on the Project financing, until one month after the New Expiration Date to begin construction, and until months after the New Expiration Date to complete construction. Under no circumstances shall project construction begin later than December 31, 2015 or end later than December 31, 2017.
20. CONSISTENCY OF DOCUMENTS: As a material obligation under this commitment letter, Grantee shall assure that the documents for the Project are consistent with lender's commitment approved by the Agency and comply, in all respects, with this commitment letter.
21. 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, which shall only require the approval of the Agency Counsel and Director and not the Agency Board of Directors to the extent permitted by applicable law.
22. ACCEPTANCE OF THIS COMMITMENT: Grantee'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 Grantee's acceptance.

Sincerely,
The Housing Authority of the City of Sacramento

LaShelle Dozier, Executive Director

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

Dated:

GRANTEE:
Downtown Sacramento Revitalization Corporation

By: _____
Angelique Ashby, DSRC Board President

RESOLUTION NO. 2014 -

Adopted by the Housing Authority of the City of Sacramento

on date of

700 BLOCK OF K: APPROVAL FOR HOUSING AUTHORITY TO ACCEPT \$1,054,503 MERGED DOWNTOWN 2005 TAXABLE LOW MODERATE FUNDS AND \$495,497 MERGED DOWNTOWN 2005 TAX EXEMPT LOW MODERATE FUNDS FROM THE REDEVELOPMENT AGENCY SUCCESSOR AGENCY, USE THE PROCEEDS OF \$1,550,000 TO FUND THE 700 BLOCK OF K STREET PROJECT, DEFUND \$2,340,000 OF TAX EXEMPT FUNDING CURRENTLY ALLOCATED TO THE PROJECT; RELATED BUDGET AMENDMENT

BACKGROUND

- A. The 700 Block Investors, LP (Developer) applied to the Sacramento Housing and Redevelopment Agency for an allocation of Ten Million, One Hundred Thousand Dollars (\$10,100,000) to finance the rehabilitation and new construction of a 137-unit multifamily housing facility located at 700-730 K Street, Sacramento, California and commonly known as the 700 Block of K Street Project (the "Project").
- B. The funding for the Project was approved in June 21, 2011. Due to the dissolution of redevelopment, the Project has been delayed. Given the currently proposed Project structure, the Housing Authority desires to alter its funding for the Project subject to maximize the amount of conventional sources available to fund the Project.
- C. On September 15, 2014 the Redevelopment Agency Successor Agency (RASA) approved, subject to the approval of the State Department of Finance, replacing \$1,550,000 of former 2002 Tax Exempt project funding with \$1,054,503 in Merged Downtown 2005 Taxable Low Moderate Funds, and \$495,497 of former Merged Downtown 2005 Tax Exempt Low Moderate Funds,.
- D. Subject to approval of the State Department of Finance (DOF), the Housing Authority recommends defunding \$2,340,000 of 2002 Tax Exempt funding from the project and replacing it with \$1,054,503 in Merged Downtown 2005 Taxable Low Moderate Funds, \$495,497 Merged Downtown 2005 Tax Exempt Low Moderate Funds, and \$790,000 of Housing Trust Funds allocated to the Project.
- E. An Environmental Impact Report was completed and certified by the City Planning Commission May 12, 2011.

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

- Section 1. The Housing Authority has reviewed the Environmental Impact Report, which was certified by the City of Sacramento Planning Commission on May 12, 2011, and has considered the environmental effects of the proposed Project in accordance with California Environmental Quality Act (CEQA) Guidelines §15096(f). The actions do not require further environmental review per CEQA Guidelines §§ 15162 or 15163. The Housing Authority hereby adopts the Findings of Fact and Statement of Overriding Considerations prepared in accordance with CEQA Guidelines §§ 15091 and 15093, and on file with the Agency Clerk.

- Section 2. Subject to the State DOF approval of RASA's September 15, 2014 actions, the Sacramento Housing and Redevelopment Agency (Agency) is authorized to amend the budget to defund \$2,340,000 of 2002 Tax Exempt funding for the Project and accept \$1,045,503 in Merged Downtown 2005 Taxable Low Moderate Funds and \$495,497 Merged Downtown 2005 Tax Exempt Low Moderate Funds from the RASA and allocate the sum of \$1,550,000 to the Project.

- Section 3. The Housing Authority is authorized to accept \$790,000 of Housing Trust Funds and contribute it to the project.

- Section 4. The Housing Authority is authorized to incorporate the \$1,550,000 of RASA funding combined with \$790,000 of Housing Trust Funds to the \$6,280,262 loan to the 700 Block Investors, L.P. or related entity.

- Section 5. The Executive Director has authority to execute agreements between the RASA and the Housing Authority to transfer the \$1,550,000 of funding.

- Section 6. The Executive Director is authorized to take all actions she deems necessary to complete the financing of the project.

RESOLUTION NO. 2014 -

Adopted by the Sacramento City Council

On date of

700 K STREET PROJECT: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SACRAMENTO APPROVING THE ISSUANCE OF TAX-EXEMPT OBLIGATIONS AND DIRECTING CERTAIN ACTIONS

BACKGROUND

- A. The Housing Authority of the City of Sacramento (the “Issuer”) intends to issue tax-exempt obligations in an principal amount not to exceed \$24,000,000 (the “Obligations”) for the purpose, among other things, of making a loan to 700 Block Investors, L.P., a California limited partnership (“Developer”), the proceeds of which shall be used by the Developer to finance the acquisition and construction/rehabilitation of a 137-unit multifamily housing facility located at 700-730 K Street, Sacramento, California (the “Project”).
- B. The Issuer is authorized by Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California to issue and sell revenue bonds for the purpose of financing the acquisition, construction/rehabilitation and development of multifamily rental housing facilities to be occupied in part by low and/or very low income tenants.
- C. In order for the Obligations to be considered “qualified exempt facility bonds” under Section 142(a) of the Internal Revenue Code of 1986, as amended (the “Code”), Section 147(f) of the Code requires that the “applicable elected representatives” of the area in which the Project is to be located hold a public hearing on and approve the issuance of the Obligations.
- D. This City Council is the elected legislative body of the City.
- E. A notice of public hearing in a newspaper of general circulation in the City has been published, to the effect that a public hearing would be held by this City Council regarding the issuance of the Obligations by the Issuer and the nature and location of the Project.
- F. This City Council held said public hearing on the published date, at which time an opportunity was provided to present arguments both for and against the issuance of such Bonds and the nature and location of the Project.
- G. It is in the public interest and for the public benefit that the City approve the issuance and delivery of the Obligations for the purpose of financing the acquisition and construction/rehabilitation of the Project.

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

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

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

Section 2. Solely for the purpose of fulfilling the requirement of Section 147(f) of the Code, the City hereby approves the issuance and delivery of the Obligations.

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

RESOLUTION NO. 2014 –

Adopted by the Sacramento City Council

on the date of

700 BLOCK OF K PROJECT: APPROVAL TO TRANSFER \$790,000 OF HOUSING TRUST FUNDS (HTF) TO THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO FOR THE PROJECT

BACKGROUND

- A. On June 21, 2011, the Redevelopment Agency of the City of Sacramento (“Redevelopment Agency” or RDA) authorized a commitment of \$10.1 million of Downtown low-moderate tax-exempt bond funds to the Downtown Sacramento Revitalization Corporation to finance the rehabilitation and new construction of a 137-unit multifamily housing facility located at 700-730 K Street, Sacramento, California and commonly known as the 700 Block of K Street Project (the “Project”).
- B. On September 15, 2014 the Oversight Board approved replacing \$1,550,000 of 2002 Tax Exempt project funding with \$1,045,503 in Merged Downtown 2005 Taxable Low Moderate Funds, and \$495,497 in Merged Downtown 2005 Tax Exempt Low Moderate Funds. The action of the Oversight Board is subject to review by the State Department of Finance. The transaction cannot close until such approval is issued.
- C. City Housing Trust Funds in the amount of \$790,000 are proposed to be allocated by the Sacramento Housing and Redevelopment to the Housing Authority of the City of Sacramento (“Housing Authority”) specifically for the Project, replacing \$790,000 of 2002 Tax Exempt bond funding.
- D. An Environmental Impact Report was completed and certified by the City Planning Commission May 12, 2011. There has been no change to the scope of the Project which would require additional environmental review.

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

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

Section 2. The Sacramento Housing and Redevelopment Agency is authorized to utilize \$790,000 of Housing Trust Funds as part of the Housing Authority’s \$6,280,262 loan for the residential component of the Project.