

Meeting Date: 6/9/2015

Report Type: Staff/Discussion

Report ID: 2015-00478

Title: Approval of Agency Loan for Land Park Woods Apartments

Location: District 7

Recommendation: Pass a Resolution a) approving a \$1,825,000 Loan Commitment of City Home Investment Partnership Program (HOME) funds for the financing of the Land Park Woods Apartments Project and delegating authority to the Sacramento Housing and Redevelopment Agency (Agency) to execute and transmit the Loan Commitment to the Mercy Housing California, b) approving the restructuring and assumption of outstanding loans, c) authorizing the Agency to release and replace previous property restrictions, d) authorizing the Agency 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 e) authorizing the Agency to amend its budget and allocate up to \$1,825,000 in City HOME funds to the Land Park Woods Apartment Project, and f) approving related findings.

Contact: Christine Weichert, (916) 440-1353; Tyrone Williams, (916) 440-1316, Sacramento Housing and Redevelopment Agency

Presenter: Christine Weichert, (916) 440-1353; Tyrone Williams, (916) 440-1316, Sacramento Housing and Redevelopment Agency

Department: Sacramento Housing & Redevelopment Agency

Division: Sacramento Housing & Redevelopment Agency

Dept ID:

Attachments:

- 1-Description/Analysis
- 2-Location Map
- 3-Site Map
- 4-Background
- 5-Project Summary
- 6-Cash Flow Proforma
- 7-Maximum Income and Rent Limits
- 8-Resolution
- 9-Exhibit A (Loan Commitment Letter)

City Attorney Review

Approved as to Form
Sheryl Patterson
6/3/2015 3:59:18 PM

Approvals/Acknowledgements

Department Director or Designee: LaShelle Dozier - 5/29/2015 12:08:17 PM

Description/Analysis

Issue Detail: The Land Park Woods Apartments (Project) is an affordable multifamily complex located on approximately 5.26 acres at 2814 Fifth Street in Sacramento's Upper Land Park neighborhood. The Project was originally constructed in 1969 and extensively renovated in 1994 as part of a Low-Income Housing Tax Credit (LIHTC) financing. There are a total of 75 units consisting of one, two, and three-bedroom units in 11 one-story wood frame residential buildings, and a single-story community building that includes leasing and laundry facilities.

Mercy Housing California and Rural California Housing Corporation (collectively "Developer") intend to form a new limited partnership to acquire and renovate the Project. The Developer has requested a new loan of \$1,825,000 for acquisition, rehabilitation, and permanent financing of the Project; this including the assumption and modification of existing City Housing Trust Fund (HTF) and City HOME loans. A vicinity map is included as an attachment to this report.

The proposed rehabilitation of the Project will be an extensive renovation of this 46-year old housing development. Interior improvements will include replacement of all the flooring, cabinets, countertops, entry doors, appliances, heating, ventilation, and air conditioning (HVAC) systems, windows, toilets, tub, and tub surrounds. Each unit will be repainted and life safety issues will be addressed. Eight of the units will be adapted for American's with Disabilities Act (ADA) compatibility. Exterior improvements will address irrigation, concrete and pavement, access gates, and path of travel issues. Renovation of recreational facilities will be provided including a tot lot, barbeque area, and basketball court. The roofs, gutters, and downspouts will all be replaced. The existing stucco siding will be removed and replaced with fiber-cement siding and new dual pane windows will be installed. Throughout the property paving will be repaired and resealed, common area lighting will be upgraded, fencing and gates will be repaired or replaced, and a security camera system will be installed. Additional landscaping and upgraded irrigation will be installed including recommended tree maintenance as contained in the arborist report. A site plan is attached.

The property will continue to be occupied during the planned 12-month rehabilitation period. Tenants will be temporarily relocated onsite or to an off-site location when required. After approximately 30-days of temporary relocation, tenants will return to their renovated units. No tenants will be permanently relocated. There are a total of 11 buildings at the development, and one building containing eight units will be renovated each month for a total of 11 phases.

Policy Considerations: The recommended actions are consistent with the Agency's previously approved multifamily lending and mortgage revenue bond policies. The Agency loans will all be senior to any subsequent Project financing but when combined they exceed standard loan to value policies.

Regulatory restrictions on the property will be specified in separate regulatory agreements between the Developer and the Agency for periods of 15 and 30 years in accordance with funding regulatory requirements. The LIHTC regulatory agreement is for a term of 55 years.

Compliance with the Sacramento Housing and Redevelopment Agency (Agency) regulatory agreements will be monitored by the Agency on a regular basis.

Economic Impacts: This multifamily residential project is expected to create 67.3 total jobs (43.7 direct jobs and 23.6 jobs through indirect and induced activities) and create \$13,482,481 in total economic output (\$8,909,223, of direct output and another \$4,573,258 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 has been analyzed in accordance with CEQA and is categorically exempt under CEQA Guidelines Section 15301 which exempts actions on existing facilities, including rehabilitation and financing, where the use remains unchanged and there is no expansion of an existing use.

Sustainability Considerations: The Project has been reviewed for consistency with the goals, policies, and targets of the Sustainability Master Plan and the 2035 General Plan. If approved, the project will advance the following goals, policies, and targets as follows: 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 proposed action has been analyzed in accordance with the National Environmental Policy Act (NEPA) and is categorically excluded pursuant to 24 CFR Section 58.35(a)(3)(ii) as it consists of the rehabilitation of a multifamily residential complex with no change in land use, 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.

Commission/Committee Action: It is anticipated that, at its meeting of June 3, 2015, the Sacramento Housing and Redevelopment Commission will approve the staff recommendation for this item. Staff will notify the Council in the event this does not occur.

Rationale for Recommendation: The 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.

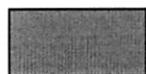
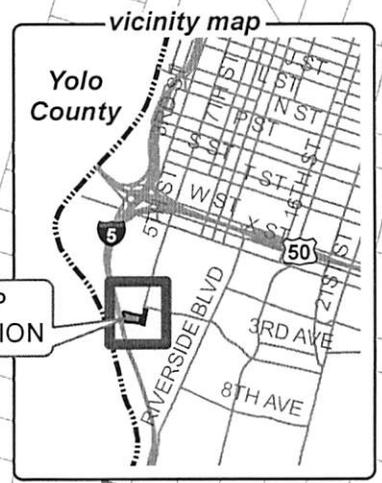
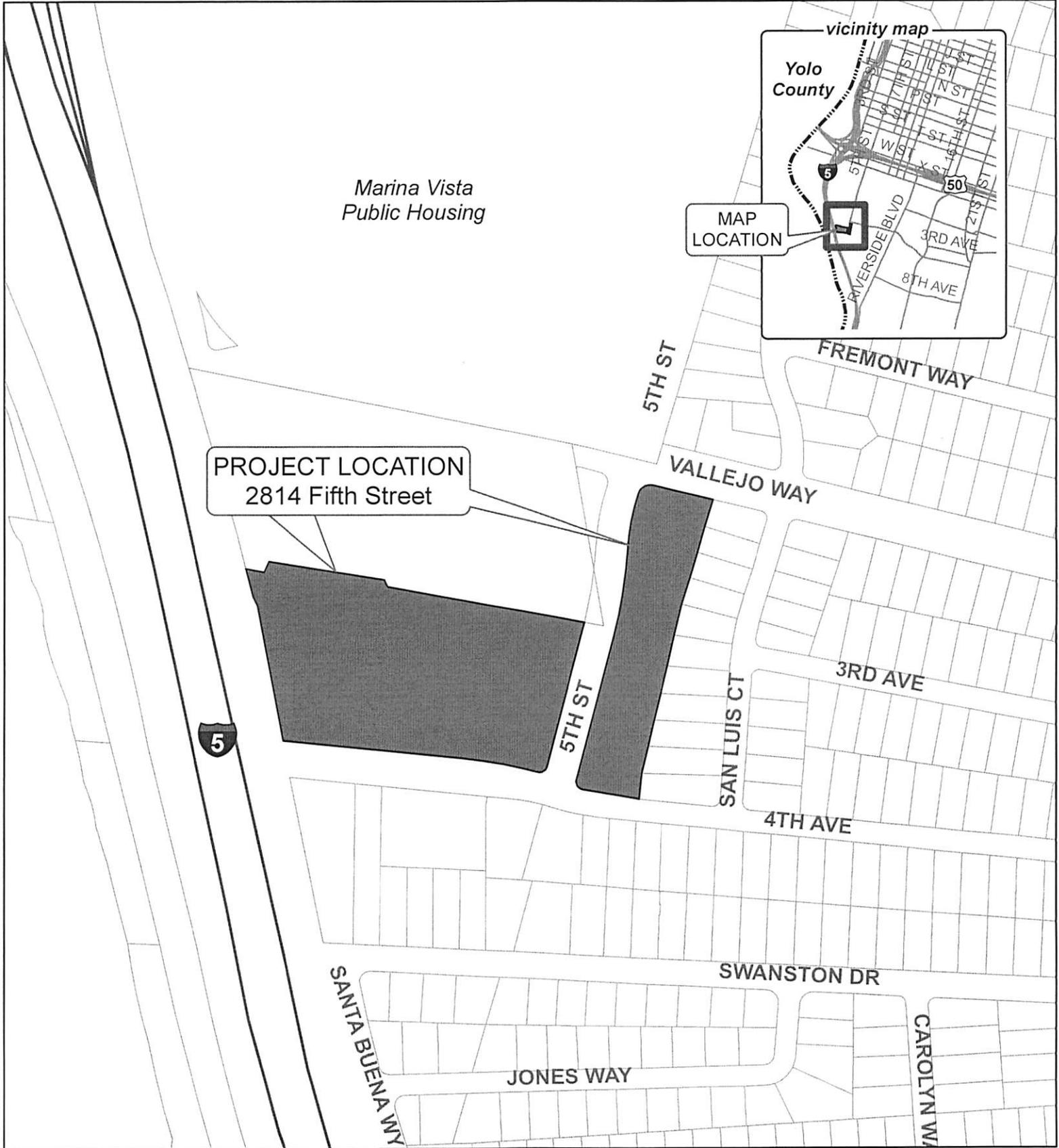
Financial Considerations: Staff recommends funding of an Agency loan comprised of \$1,825,000 of City HOME funds together with the Agency assignment and modification of an existing HTF loan of \$1,847,000 plus accrued interest of \$1,135,677, and an existing HOME loan of \$400,000 plus accrued interest of \$223,430. The Agency will be collecting an annual monitoring fee equal to 0.15 percent of the new HOME loan amount, consistent with the Agency's multifamily lending guidelines. A loan commitment letter is included as Exhibit A to the attached resolution.

Proposed project funding sources will include \$7.3 million of LIHTC equity, existing Agency (HOME and HTF) loans of approximately \$3,633,107 (includes accrued interest), a new Agency HOME loan of \$1,825,000, a \$500,000 AHP loan, a deferred developer fee of \$150,000, and exiting reserves of \$76,792. Units will be regulated at 30, 40, and 50 percent of Area Median Income (AMI). Further background on the Developer and the property is included as Attachment 3.

M/WBE and Section 3 Considerations and First Source 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 as may be applicable. Developer will be required to use the First Source Program for employment opportunities.



Land Park Woods Apartments



2814 5th St



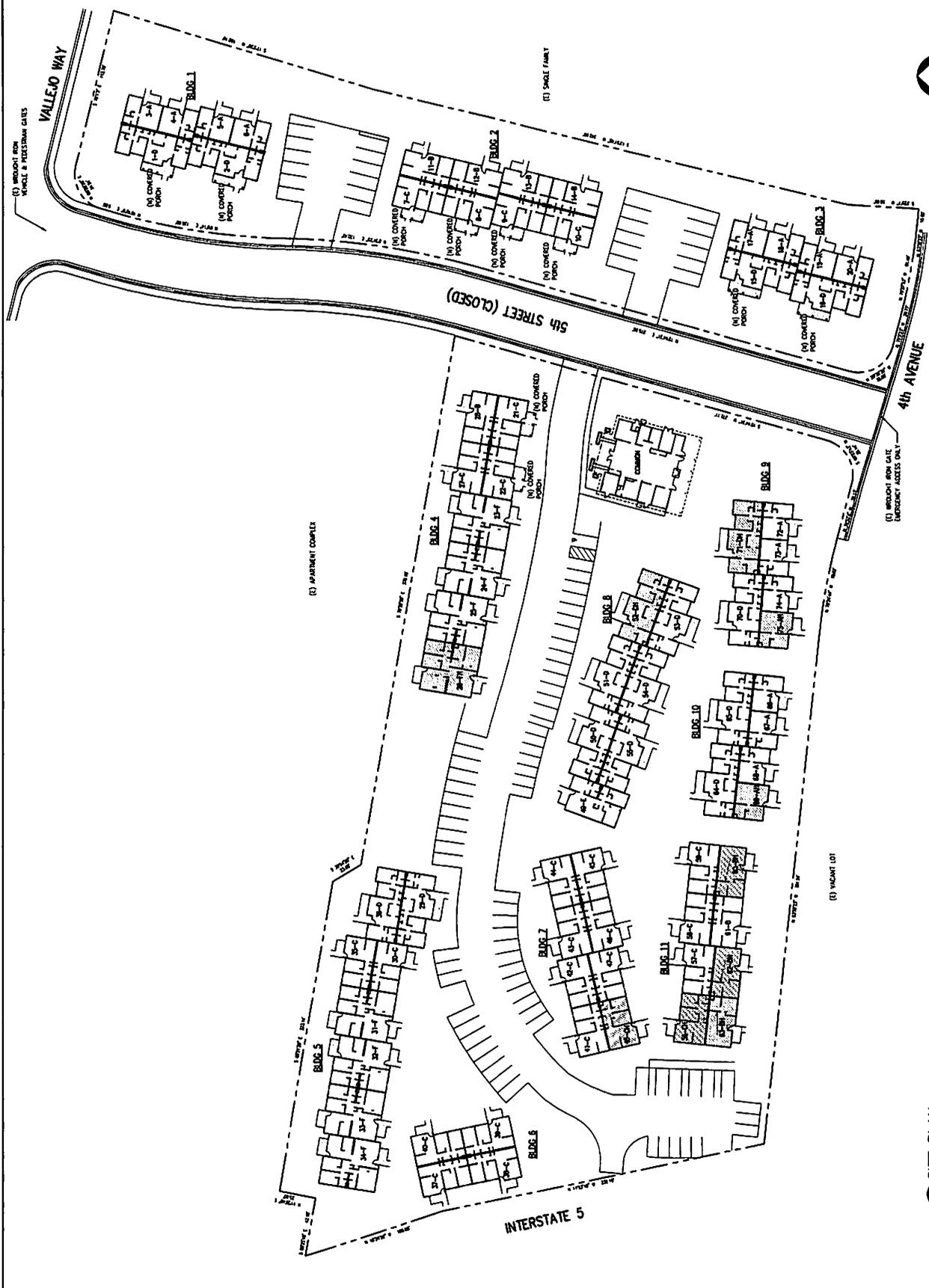
SHRA GIS
May 18, 2019 5 of 24

ANDERS & FALLTRICK ARCHITECTS
 1500 CORVALLIS AVENUE
 SUITE 100
 CORVALLIS, OREGON 97331
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PRELIMINARY NOT FOR CONSTRUCTION

PROJECT: LAND PAIR WOOD APARTMENTS
 2014 5th STREET
 SACHRAMENTO, CA 95818
 ARCHITECT: ANDERS & FALLTRICK
 DATE: 01-24-15
 SHEET: SITE PLAN

A1.1



1 SITE PLAN

Land Park Woods Apartments Background Information

Description of Development: Land Park Woods Apartments (Project) are (is) an existing regulated affordable housing development located on 5.6-acres in the Upper Land Park neighborhood at 2814 Fifth Street, in the City of Sacramento. The Project was originally built in 1969 as a senior project. Fifth Street Partners, LP, which included the Rural California Housing Corporation, purchased and renovated the site in 1996 utilizing LIHTC's, a \$300,000 loan from the AHP, and two separate loans from the Agency. These loans include an Agency HOME loan of \$400,000 and an Agency HTF loan for \$1,847,000. Prior to the 1996 renovation the Project contained 50 one-bedroom units and 50 two-bedroom units. After completion the Project will contain 25 one-bedroom, 25 two-bedroom, and 25 three-bedroom units for a total of 75 units. Other than routine maintenance, no additional rehabilitations have been undertaken since then.

The Project consists of 11 single-story residential buildings and a separate Community building in which a community room, laundry facilities, maintenance room and a rental office are located. Currently, the 11 residential buildings and community room are wood frame construction with stucco exteriors built on concrete slabs. The exterior stucco is in poor condition and is in need of replacement. All the roofs are pitched with asphalt shingles which are in poor condition. The windows are dual-pane aluminum and in poor condition. The site drainage, landscaping, fencing, irrigation and parking lot improvements are needed. In addition, the site and units warrant ADA access upgrades.

Exterior work will include new roofs, gutters, exterior doors, and windows. The stucco and siding will be removed and replaced with pre-finished fiber-cement siding. All up-lifted concrete will be replaced and include ADA walkway improvements to each door. All perimeter wood fencing will be replaced including patio fencing for each apartment. Repairs will be made to broken sewer lines and the installation of additional storm inlets and drains. The vehicle and pedestrian gates together with calling systems will be replaced or repaired. New outdoor recreation areas with new barbecue equipment and tables will be installed. The tot lot equipment will be replaced and upgrades made to the basketball court. Additional landscaping will be added, the trees trimmed and all irrigation systems upgraded. The existing site lighting will be upgraded to include new LED fixtures and a security camera system will be installed.

Interior work to the units and community building will include new flooring, paint, appliances, cabinets, countertops, sinks, bathtubs, toilets, and lighting, as well as new HVAC systems.

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, will increase its marketability and have a positive impact on the surrounding neighborhood.

Location and site maps are included as Attachments 2 and 3 respectively. A project summary, including a proposed sources and uses of funds for the Project is included as Attachment 5. A project cash flow proforma is included as Attachments 6.

Developer: Mercy Housing California was formed through the merger of Rural California Housing Corporation and Mercy Charities Housing California in July 2000. Mercy Housing is a non-profit public benefit corporation dedicated to providing quality affordable housing with supportive programs to low-income persons in California. A limited partnership including Rural California Housing Corporation will be established to own the Project. Mercy Housing California has been responsible for the construction of more than 2,900 affordable single-family self-help homeownership units and 124 multifamily rental properties with a total of more than seven thousand units. Their portfolio includes 18 properties in Sacramento County alone.

Property Management: The project will be managed by Mercy Services Management Group (MSMG), an affiliate of Mercy Housing. MSMG manages 216 properties nationally (more than 11,000 affordable housing units), including 100 properties in California. Agency staff has reviewed and approved the management plan, including daily operations, leasing procedures, maintenance, and eviction procedures.

Resident Services: Services will be provided to the residents by Living With Hope, an Mercy Housing California affiliate. The service provider will be required to provide 15 hours of services per week at Land Park Woods Apartments. Mercy Housing California has also committed to providing additional hours of service at the site above and beyond the 15 hour requirement. Programs will be tailored to the needs of the residents. Examples of services include after-school programs, computer training, and English as a Second Language classes.

Project Financing: The Project is to be primarily financed with nine percent LIHTC. Construction financing will be provided by a bank loan and the remainder of the permanent financing will be provided by an Agency HOME loan of \$1,825,000 an AHP loan of \$500,000, a deferred developer fee of \$150,000, and the assumption of existing Agency loans of approximately \$3,606,107 which includes accrued interest.

Low-Income Set-Aside Requirements: The tax credits, Agency loan and assumed debt will require that all units be affordable to households earning 30, 40, and 50 percent of AMI. The project will be layered with affordability requirements required by the various funding sources. The LIHTC regulatory term is 55-years, the new HOME and HTF regulatory agreements will regulate units for 15- and 30-years respectively. These sources and their affordability requirements are summarized in the following table:

Funding	Affordability Restrictions	No. Units Covered	Maximum Regulatory Term
LIHTC, New Agency Loan, Existing Agency Loan	Very Low-Income (30% AMI)	8	55-years
LIHTC, New Agency Loan, Existing Agency Loan	Low-Income (40% AMI)	32	55-years
LIHTC, New Agency Loan, Existing Agency Loan	Low-Income (50% AMI)	34	55-years
Manager's Unit	Unrestricted	1	
Total		75	

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

Land Park Woods
Residential Project Financial Summary

Address	2814 Fifth Street, Sacramento CA 95818			
Number of Units	75			
Year Built	1969			
Acreage	5.6 acres			
Affordability	8 units (11%) at or below 30% of AMI 32 units (40%) at or below 45% of AMI 34 units (46%) at or below 50% of AMI 1 Manager Unit			
Unit Mix and Rents	<u>(30% AMI)</u>	<u>(40% AMI)</u>	<u>(50% AMI)</u>	<u>Manager</u>
1 Bedroom / 1 Bath	3	12	10	0
2 Bedroom / 1 Bath	3	12	9	1
3 Bedroom / 2 Bath	2	8	15	0
Total	8	32	34	1
Square Footage	<u>Per Unit</u>		<u>Total</u>	
1 BR / 1 BA	525	25	13,125	square feet
2 BR / 2 BA	734	25	18,350	square feet
3 BR / 2 BA	1,141	25	28,525	square feet
Total		75	60,000	square feet
Resident Facilities	The project includes a community clubhouse and children's playground.			
Permanent Sources	<u>Total</u>	<u>Per Unit</u>	<u>Per Square Foot</u>	
Tax Credit Equity	\$ 7,313,636	\$ 97,515	\$ 121.89	
Existing SHRA HTF Loan	\$ 3,012,746	\$ 40,170	\$ 50.21	
Existing SHRA HOME Loan	\$ 630,039	\$ 8,401	\$ 10.50	
New SHRA Loan	\$ 1,825,000	\$ 24,333	\$ 30.42	
AHP Loan	\$ 500,000	\$ 6,667	\$ 8.33	
Accrued/ Deferred Interest	\$ 118,500	\$ 1,580	\$ 1.98	
Cash Reserves From Seller	\$ 76,792	\$ 1,024	\$ 1.28	
Deferred Developer Fee	\$ 150,000	\$ 2,000	\$ 2.50	
TOTAL SOURCES	\$ 13,626,713	\$ 181,690	\$ 227	
Permanent Uses				
Acquisition	\$ 3,942,574	\$ 52,568	\$ 65.71	
Construction	\$ 4,232,680	\$ 56,436	\$ 70.54	
Site Improvements	\$ 859,025	\$ 11,454	\$ 14.32	
Development Impact Fees/Permits	\$ 100,000	\$ 1,333	\$ 1.67	
Architecture, Engineering, Survey	\$ 435,044	\$ 5,801	\$ 7.25	
Relocation	\$ 375,000	\$ 5,000	\$ 6.25	
Hard Cost Contingency	\$ 779,099	\$ 10,388	\$ 12.98	
Soft Cost Contingency	\$ 165,000	\$ 2,200	\$ 2.75	
Financing Costs	\$ 344,818	\$ 4,598	\$ 5.75	
TCAC	\$ 60,745	\$ 810	\$ 1.01	
Operating Reserves	\$ 226,508	\$ 3,020	\$ 3.78	
Legal Fees	\$ 67,500	\$ 900	\$ 1.13	
Developer Fee	\$ 1,125,411	\$ 15,005	\$ 18.76	
Insurance, Third Party, Marketing, Other	\$ 913,309	\$ 12,177	\$ 15.22	
TOTAL USES	\$ 13,626,713	\$ 181,690	\$ 227	
Management / Operations				
Proposed Developer:	Rural California Housing Corporation			
Property Management Company:	Mercy Housing Management			
Resident Services:	\$55,000	\$733		
Operations Budget:	\$343,125	\$4,575		
Replacement Reserves:	\$31,875	\$425		

Land Park Woods
Project Cash Flow Proforma

Unit Type	Number	Square Feet	Total Sq Feet	Gross Rent	Utility Allowance	Net Rent	Rent per Sq Foot	Total Mo. Rent	Annual Rent
1 BD / 1 BA @ 30% AMI	3	525	1,575	\$ 402	\$ 73	\$ 329	\$ 0.63	\$ 987	\$ 11,844
1 BD / 1 BA @ 40% AMI	12	525	6,300	\$ 536	\$ 73	\$ 463	\$ 0.88	\$ 5,556	\$ 66,672
1 BD / 1 BA @ 50% AMI	10	525	5,250	\$ 670	\$ 73	\$ 597	\$ 1.14	\$ 5,970	\$ 71,640
2 BD / 1 BA @ 30% AMI	3	734	2,202	\$ 483	\$ 90	\$ 393	\$ 0.54	\$ 1,179	\$ 14,148
2 BD / 1 BA @ 40% AMI	12	734	8,808	\$ 644	\$ 90	\$ 554	\$ 0.75	\$ 6,648	\$ 79,776
2 BD / 1 BA @ 50% AMI	9	734	6,606	\$ 805	\$ 90	\$ 715	\$ 0.97	\$ 6,435	\$ 77,220
3 BD / 2 BA @ 30% AMI	2	1,141	2,282	\$ 558	\$ 108	\$ 450	\$ 0.39	\$ 900	\$ 10,800
3 BD / 2 BA @ 40% AMI	8	1,141	9,128	\$ 744	\$ 108	\$ 636	\$ 0.56	\$ 5,088	\$ 61,056
3 BD / 2 BA @ 50% AMI	15	1,141	17,115	\$ 930	\$ 108	\$ 822	\$ 0.72	\$ 12,330	\$ 147,960
Manager's Unit	1	734	734	\$ -	\$ -	\$ -	-	\$ -	\$ -
Totals	75		60,000					\$ 45,093	\$ 541,116

<u>Income</u>	rate	annual increase	per unit	Year 1 2017	Year 2 2018	Year 3 2019	Year 4 2020	Year 5 2021	Year 10 2026	Year 11 2027	Year 12 2028	Year 13 2029	Year 14 2030	Year 15 2031	Year 20 2036
Potential Gross Income		2.50%		554,644	568,510	582,723	597,291	612,223	692,674	709,991	727,741	745,934	764,583	783,697	886,682
Other Income		2.50%		8,500	8,713	8,930	9,154	9,382	10,615	10,881	11,153	11,432	11,717	12,010	13,589
Less Vacancy	5.00%			27,732	28,425	29,136	29,865	30,611	34,634	35,500	36,387	37,297	38,229	39,185	44,334
Effective Gross Income				\$535,412	\$548,797	\$562,517	\$576,580	\$590,994	\$668,656	\$685,372	\$702,507	\$720,069	\$738,071	\$756,523	\$855,936

<u>Operating Expenses</u>															
Operating Expenses	3.50%	4,575	343,123	355,132	367,562	380,427	393,742	467,641	484,009	500,949	518,482	536,629	555,411	659,654	
Assessments	2.00%	137	10,300	10,506	10,716	10,930	11,149	12,309	12,556	12,807	13,063	13,324	13,591	15,005	
Property Management	3.50%	504	37,800	39,123	40,492	41,910	43,376	51,518	53,321	55,187	57,118	59,118	61,187	72,671	
Resident Services	3.50%	400	30,000	31,050	32,137	33,262	34,426	40,887	42,318	43,799	45,332	46,919	48,561	57,675	
Replacement Reserves		425	31,875	31,875	31,875	31,875	31,875	31,875	31,875	31,875	31,875	31,875	31,875	31,875	
Total Expenses		6,041	\$453,098	\$467,686	\$482,782	\$498,403	\$514,568	\$604,230	\$624,078	\$644,617	\$665,871	\$687,865	\$710,624	\$836,880	

Net Operating Income				\$82,314	\$81,111	\$79,735	\$78,177	\$76,427	\$64,426	\$61,294	\$57,890	\$54,198	\$50,206	\$45,898	\$19,056
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<u>Debt Service</u>	amount	rate													
SHRA Administration Fee	\$1,825,000	0.15%	2,738	2,738	2,738	2,738	2,738	2,738	2,738	2,738	2,738	2,738	2,738	2,738	2,738

<u>Priority Distributions</u>															
Asset Management Fee (GP)	3.00%		5,000	5,150	5,305	5,464	5,628	6,524	6,720	6,921	7,129	7,343	7,563	8,768	
Partnership Management Fee (LP)	3.00%		20,000	20,600	21,218	21,855	22,510	26,095	26,878	27,685	28,515	29,371	30,252	35,070	
Priority Distributions Subtotal			25,000	25,750	26,523	27,318	28,138	32,619	33,598	34,606	35,644	36,713	37,815	43,838	

Additional Resident Services			25,000	25,000	25,000	25,000	25,000	25,000	24,959	20,546	15,817	10,755	5,346	-27,519
Net Cash after Priority Distributions			\$29,576	\$27,623	\$25,475	\$23,121	\$20,551	\$4,069	\$0	\$0	\$0	\$0	\$0	\$0

<u>Deferred Developer Fee</u>															
Principal Balance	\$150,000	4.00%	150,000	126,424	103,858	82,537	62,717								
Interest for Period			6,000	5,057	4,154	3,301	2,509								
Accumulated Interest			6,000	5,057	4,154	3,301	2,509								
Payment			29,576	27,623	25,475	23,121	20,551								
Balance			\$126,424	\$103,858	\$82,537	\$62,717	\$44,675								

Net Cash after Deferred Developer Fee			\$0	\$0	\$0	\$0	\$0	\$4,069	\$0						
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<u>SHRA HOME loan</u>															
Principal Balance	\$1,825,000	4.00%	1,825,000	1,825,000	1,825,000	1,825,000	1,825,000	1,825,000	1,825,000	1,825,000	1,825,000	1,825,000	1,825,000	1,825,000	1,825,000
Interest for Period			73,000	73,000	73,000	73,000	73,000	73,000	73,000	73,000	73,000	73,000	73,000	73,000	73,000
Accumulated Interest			146,000	146,000	219,000	292,000	365,000	730,000	803,000	876,000	949,000	1,022,000	1,095,000	1,460,000	
Payment			0	0	0	0	0	0	0	0	0	0	0	0	
Balance			1,971,000	1,971,000	2,044,000	2,117,000	2,190,000	2,555,000	2,628,000	2,701,000	2,774,000	2,847,000	2,920,000	3,285,000	

<u>SHRA HOME & HTF existing loans</u>															
Principal Balance	\$2,274,000	3.00%	2,274,000	2,274,000	2,274,000	2,274,000	2,274,000	2,274,000	2,274,000	2,274,000	2,274,000	2,274,000	4,519,967	6,901,534	2,274,000
Interest for Period			68,220	68,220	68,220	68,220	68,220	68,220	68,220	68,220	68,220	68,220	135,599	207,046	68,220

MAXIMUM LIHTC RENT AND INCOME LEVELS 2015*Rents at 30%, 40% and 50% of Area Median Income***Maximum Income Limits:**

Family Size	Max Income		
	30% AMI	40% AMI	50% AMI
1 person	\$ 15,030	\$ 20,040	\$ 25,050
2 person	\$ 17,160	\$ 22,880	\$ 28,600
3 person	\$ 19,320	\$ 25,760	\$ 32,200
4 person	\$ 21,450	\$ 28,600	\$ 35,750
5 person	\$ 23,190	\$ 30,920	\$ 38,650
6 person	\$ 24,900	\$ 33,200	\$ 41,500

Maximum Rent Limits:

Low Income Housing Tax Credits (LIHTC's)

Unit Size	Gross Rent		
	30% AMI	40% AMI	50% AMI
1 Bedroom	\$ 402	\$ 536	\$ 670
2 Bedroom	\$ 483	\$ 644	\$ 805
3 Bedroom	\$ 558	\$ 744	\$ 930

RESOLUTION NO. 2015 –

Adopted by the Sacramento City Council

on the date of

**LAND PARK WOODS APARTMENTS PROJECT: AUTHORIZING A \$1,825,000
LOAN COMMITMENT OF CITY HOME INVESTMENT PARTNERSHIP (HOME)
FUNDS; APPROVAL OF THE RESTRUCTURING OF OUTSTANDING LOANS AND
ASSUMPTION OF OBLIGATIONS; RELEASES OF OUTDATED RESTRICTIONS;
EXECUTION OF COMMITMENT AND RELATED DOCUMENTS WITH MERCY
HOUSING CALIFORNIA OR RELATED ENTITY; RELATED BUDGET AMENDMENT**

BACKGROUND

- A. Mercy Housing California has applied for an allocation of \$1,825,000 in City Home Investment Partnership Program Funds (HOME), to assist in funding the construction and permanent financing of the 75-unit Land Park Woods Apartment Project.
- B. The Project currently has two Sacramento Housing and Redevelopment Agency (Agency) loans outstanding. The first is a loan of HOME funds with a principal balance of \$400,000, plus approximately \$223,430 of accrued interest. The second is a loan of City Housing Trust Funds (HTF) with a principal balance of \$1,847,000, plus approximately \$1,135,677 of accrued interest. The Developer has requested that the existing debt be restructured and assigned to a new limited partnership formed by Mercy Housing California. The requested restructuring of the loans and associated documents includes extending their maturity to a date 55 years after the proposed rehabilitation of the Project and changing their interest rates.
- C. The 10 year term of affordability as required in 2013 HOME Rule, 24 CFR Part 92 has been achieved. The existing HOME Regulatory Agreement dated March 21, 1996, is therefore eligible for release from the Project. The Sacramento Housing and Redevelopment Agency (Agency) intends to record a new HOME Regulatory Agreement for a term of 15 years on the Project.
- D. The existing City Housing Trust Fund Regulatory Agreement dated October 6, 1994, between 2814 Fifth Street Associates, LP and the Agency is in excess of 20 years old will be released and replaced with a new City Housing Trust Fund Regulatory Agreement, consistent with Agency requirements, new Project financing. This new agreement would be for a term of 30 years.
- E. The Land Park Woods Apartment Project continues to qualify for HOME funding under the Agency multifamily lending guidelines.
- F. The proposed action has been analyzed in accordance with the California Environmental Quality Act (CEQA) and is categorically exempt under CEQA Guidelines Section 15301 which exempts actions on existing facilities, including

rehabilitation and financing, where the use remains unchanged and there is no expansion of existing uses.

- G. The proposed action has been analyzed in accordance with the National Environmental Policy Act (NEPA) and is categorically excluded pursuant to 24 CFR Section 58.35(a)(3)(ii) as it consists of the rehabilitation of a multifamily residential complex, with no change in land use, 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.

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 Loan Commitment, attached as (Exhibit A), for financing the Project with \$1,825,000 in City HOME funds is approved, and the Agency is delegated authority to execute and transmit the Loan Commitment to the Mercy Housing California or related entity.
- Section 3. The Agency is authorized to release outdated recorded restrictions associated with existing Agency loans as these restrictions have been superseded by more comprehensive restrictions and covenants.
- Section 4. The Agency is authorized to modify the existing HOME and HTF loans to extend the terms up to 57 years and the City consents to the assumption of these obligations by Mercy Housing California or a related entity, in order to ensure the continued viability of the development.
- Section 5. The Agency is authorized to enter into and execute other documents, as approved to form by Agency Counsel, and perform other actions necessary to fulfill the intent of the Loan Commitment that accompanies this resolution, in accordance with its terms, and to ensure proper repayment of the Agency funds including without limitation, subordination, extensions, and restructuring of such a loan consistent with Agency adopted policy and with this resolution.
- Section 6. The Agency is authorized to amend the Agency budget and allocate up to \$1,825,000 in City HOME funds to the Land Park Woods Apartment Project.

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Exhibit A - Commitment Letter

Exhibit A

June 9, 2015

Stephan Daues
Mercy Housing California
2512 River Plaza Drive, Suite 200
Sacramento, CA 95833

RE: Conditional Funding Commitment, Land Park Woods Apartments

Dear Mr. Daues,

On behalf of the Sacramento Housing and Redevelopment Agency ("Agency"), we are pleased to advise you of its commitment of acquisition, construction and permanent loan funds ("Loan") of \$1,825,000 in City Home Investment Partnership Program ("HOME") funds for the purpose of financing the development of that certain real property known as Land Park Woods located at 2814 Fifth Street in Sacramento, California ("Property"). Agency's decision is based on your application, and all representations and information supplied by you to it. If these representations and information change in a material manner without written approval of Agency, this commitment is void. Agency's obligation to make the Loan is subject to satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

The Loan shall be made on standard Agency loan documents. No 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 June 16, 2015. In the event of any discrepancies between terms stated in this commitment and the loan documents, the terms stated in the loan commitment letter shall be deemed to be terms of this commitment.

Unless otherwise agreed in writing by the Agency in exercise of its absolute discretion, the following shall be considered conditions to Agency approval of a financing commitment. The Agency may, in exercise of its absolute discretion, modify its requirements upon written notice to Borrower given at least sixty days prior to close of escrow for the Property.

This commitment will expire on December 16, 2016, unless extended as outlined in Section 38.

1. PROJECT DESCRIPTION: The project is the acquisition and rehabilitation of a 75 unit apartment complex located in the proposed Land Park Woods at 2814 Fifth Street in Sacramento, California. At least 8 units will be affordable to families earning less than 30 percent of the area median income (AMI), at least 32 units will be affordable to families earning less than 40 percent of AMI, at least 34 units will be affordable to families earning less than 50 percent of AMI, with one unrestricted managers' unit.
2. BORROWER: The name of the Borrower for the Loan is Mercy Housing California, or a related entity.
3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely to pay the costs of acquisition, 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) One Million Eight Hundred and Twenty-Five Thousand Dollars (\$1,825,000), or (b) an amount to be determined prior to close of the Loan based on a project budget approved by Agency.
5. TERM OF LOAN TERM: The Loan shall mature 57 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. MONTHLY REPAYMENT: Monthly principal and interest payments shall be deferred from the Loan's Effective Date through the completed payment of the differed developer fee. Structured monthly installments shall be made according to the payment schedule contained in the final Loan Agreement, calculated to achieve an annual 1.2 debt coverage ratio. Monthly payments shall be applied first to outstanding interest accrued and unpaid and then to principal. All outstanding principal and interest is due and payable on the maturity date.
8. SOURCE OF LOAN FUNDS: Agency is making the Loan of \$1,825,000 of City HOME funds, and the Loan is subject to all requirements related to the use of such, whether Agency requirements or otherwise. City HOME funds shall assist 11 or fewer units, and therefore the provisions of the Davis-Bacon Act (40 U.S.C. 276a-5) requiring the payment of not less than the wages prevailing in the locality for projects including 12 or more units assisted with HOME funds shall not apply. This Loan is conditioned upon Borrower's acceptance of Agency's requirements and conditions related to such lending programs and funding sources, including among others, the required forms of agreements

for the Loan; the requirements for covenants, conditions and restrictions upon the Property; and insurance and indemnity requirements.

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

_____ (Borrower Initial)

Borrower acknowledges that every contract for new construction or rehabilitation construction of housing that includes 12 or more units assisted with HOME funds will contain a provision requiring the payment of not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act (40 U.S.C. 276a-5), to all laborers and mechanics employed in the development of any part of the housing. Such contracts must also be subject to the overtime provisions, as applicable, of the Contract Work Hours and Safety standards Act (40 U.S.C. 327-332). (24 C.F.R. 92.354). Borrower also acknowledges that any project containing a "subsidy" may be subject to state prevailing wages, which are the responsibility of the Borrower and Borrower's contractor.

_____ (Borrower Initial)

9. ACCELERATION: Agency shall have the right to accelerate repayment of the Loan in the event of a default under any Loan Document or upon sale, transfer or alienation of the Property except as specifically provided for in the Loan documents.
10. SECURITY: The Loan shall be evidenced by promissory note(s) secured by a deed of trust with assignment of rents against the fee and/or leasehold interest in the Property and Improvements, which shall be a first lien upon the Property and Improvements subject only to other items as the Agency may approve in writing. The Loan shall also be secured by security agreements. The Agency may subordinate said deeds of trust in order to accommodate completion of construction of the Property.
11. LEASE AND RENTAL SCHEDULE: Agency shall have the right to review and approve all leases of the Property and Improvements prior to execution. Borrower shall not deviate from the rental schedule presented in the staff report accompanying approval of this Loan Commitment Letter for the Loan without Agency's prior written approval; provided, however, that such approval shall not be required for annual adjustments to rental rates as permitted by the California Tax Credit Allocation Committee.
12. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$7,300,000 in Low Income Housing Tax Credit Equity and no less than \$150,000 in deferred developer fee.

13. OTHER FINANCING: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:
- (a) As a condition precedent to disbursement of the remainder of the Agency loan, construction financing from a private lender(s) in an amount(s) sufficient to complete construction of the Property according to a scope of work as approved by Agency and made for a term not less than that specified in the Schedule of Performances for completion of construction, and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.
- (b) Commitments for permanent financing sufficient to "take out" all liens senior to the Agency's lien.
- (c) Such commitments for financing shall not require modification of Agency loan documents, or any term of this commitment letter.
- (d) Such commitments shall not be based upon sources and uses of Project funds that are different from those approved by Agency for the project.
14. EVIDENCE OF FUNDS: Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its reasonable discretion; and c) Agency's contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.
15. SOIL 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.
16. LOAN IN BALANCE: Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the un-disbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders are sufficient, in the sole judgment of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency.

Should the Agency determine that the Loan is not "in balance", the Agency may declare the Loan to be in default.

17. PLANS AND SPECIFICATIONS: Final plans and specifications for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the disbursement of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the project.
18. ARCHITECTURAL AGREEMENT: The architectural agreement ("Agreement") for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
19. CONSTRUCTION CONTRACT: The construction contract ("Contract"), and any change orders issued thereunder, and the contractor ("Contractor") to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Contract as security for the Loan. Agency may require Contractor to provide a performance and payment bond in a form acceptable to Agency for the amount of the Contract.
20. RETENTION AMOUNT: The Agency shall retain ten percent (10%) as retention from each disbursement for construction related expenses, not to exceed a total of ten percent (10%) of the total amount of the Loan.
21. COST BREAKDOWN: Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, which breakdown conforms to the project plans and specification and the budget approved with this commitment. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

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

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

22. COST SAVINGS: At completion of construction, borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the projected final sources of funding. If there is an aggregate savings in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Agency, the Agency shall withhold for itself as loan repayment, one-half of such savings from the amount of retention then held by the Agency, and the Loan balance shall be reduced by the amount so withheld. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency loan based upon this cost certification, the projected final sources of funding, and the original approved budget for the project.
23. START OF CONSTRUCTION: Borrower shall commence construction at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than 60 days following the close of construction financing.
24. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than 24 months following the close of construction financing.
25. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance or in lieu such insurance, Builder's Risk completed value insurance in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000.00).
26. 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.

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

33. SECURITY AND LIGHTING: Project shall include a security camera system approved by the Agency and lighting adequate to properly illuminate the parking area and all common spaces. In addition, project will include security patrol if necessary.
34. RESIDENT SERVICES AGREEMENT: Borrower shall submit for approval a detailed resident services plan including but not limited to, the following information: 1) identification of all entities responsible for providing social services to Project tenants and each entity's role in the provision of those services; 2) the services will be provided for a minimum of 15 hours per week; 3) confirmation services will be provided according to the Agency's minimum requirements as specified in the Multifamily Lending and Mortgage Revenue Bond Policies; 4) a description of the programs to be offered, and; 5) a Proforma social services budget.
35. SMOKE FREE ENVIROMENT: Borrower shall provide that at least 50% of the buildings but no less than 50% of the units must be smoke free. Projects with only a single residential building must have at least 50% of the units in the building smoke-free. In addition all indoor common areas must be smoke-free
36. DOCUMENTATION: This letter is not intended to describe all of the requirements, terms, conditions and documents for the Loan, which shall also include customary provisions and documents for an Agency transaction of this type. All documents to be delivered to or approved by Agency must be satisfactory to Agency in all respects. Borrower must promptly deliver to Agency any further documentation that may be required by Agency.
37. CONSISTENCY OF DOCUMENTS: As a material obligation under this commitment letter, Borrower shall assure that the loan documents for the Project are consistent with lender's commitment approved by the Agency and comply, in all respects, with this commitment letter.
38. CHANGES OR AMENDMENTS: No documents or contracts which are to be delivered to Agency or are subject to Agency's review or approval shall be modified or terminated without the prior written approval of Agency.
39. SUBORDINATION ANDASSIGNMENT OF EXISTING DEBT: The Agency will seek approval from the appropriate governing body to restructure, subordinate and assign the existing loans on the Property of approximately \$3,633,107 (principal and accrued interest) from the City HOME program and City Housing Trust 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 \$1,825,000 Agency Loan.
40. ACCEPTANCE OF THIS COMMITMENT: Borrower's acceptance of this Commitment, including acceptance of Borrower's obligation to assume the Existing Debt, 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,

Sacramento Housing and Redevelopment Agency

La Shelle Dozier, Executive Director

Dated:

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

BORROWER:
Mercy Housing California

By: _____
Stephan Daves, Regional Director of Housing Development

Dated: