

Meeting Date: 3/8/2016

Report Type: Public Hearing

Report ID: 2016-00261

Title: (City Council/Housing Authority) Pensione K - Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing, and Approval of Loan Commitment and Tax-exempt Bonds and Property Transfer (Noticed 02/19/2016)

Location: 1100 17th Street, District 4

Recommendation: Conduct a public hearing and upon conclusion pass: 1) a City Council Resolution indicating the City Council has conducted a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing related to the proposed rehabilitation and financing of Pensione K (Project); 2) a City Council Resolution which authorizes the Sacramento Housing and Redevelopment Agency (Agency) to a) approve a loan commitment of \$1.19 million in City HOME Investment Partnership (HOME) funds to the Project, b) execute a Loan Commitment Letter with 1702 Studio Housing Partners L.P. (Barone Galasso and Associates, Inc.) or related entity, c) execute all necessary documents associated with this transaction, d) amend the Agency budget, and e) make related findings; 3) a Housing Authority Resolution which authorizes the Executive Director to restructure and/or extend the existing debt and assign it to a new limited partnership formed by Barone Galasso and Associates, Inc., extending the loans' maturity to a date 55 years after completion of the proposed rehabilitation; 4) a Housing Authority Resolution indicating the intention of the Housing Authority of the City of Sacramento to transfer the land adjacent to the Project to 1702 Studio Housing Partners L.P. (Barone Galasso and Associates, Inc.) or related entity; 5) a Housing Authority Resolution a) indicating the intention of the Housing Authority of the City of Sacramento to issue up to \$4.5 million in tax-exempt mortgage revenue bonds to provide acquisition, construction and permanent financing for the Project, b) authorizing an application to the California Debt Limit Allocation Committee (CDLAC) for allocation authority to issue bonds, and c) authorizing the Executive Director, or designee, to execute necessary documents associated with the transaction; and 6) approving the statements and findings in the 33433 report and authorizing the transfer of the Housing Authority Property to Pensione K Artspace.

Contact: Christine Weichart, (916) 440-1353, Sacramento Housing and Redevelopment Agency

Presenter: Christine Weichart, (916) 440-1353, Sacramento Housing and Redevelopment Agency

Department: Sacramento Housing & Redevelopment Agency

Division: Sacramento Housing & Redevelopment Agency

Dept ID: 99991011

Attachments:

- 01-Description/Analysis
- 02-Pensione K Staff Rpt Map
- 03-Photo
- 04-Background
- 05-Project Summary
- 06-Cash Flow Proforma
- 07-Maximum Income and Rent Limits
- 08-City Council TEFRA Pensione K
- 09-City Council Loan Commitment Pensione K
- 10-Exhibit A (Loan Commitment Letter)
- 11-HACS Existing Loans
- 12-Housing Authority Land Transfer
- 13-Housing Authority Inducement Pensione K
- 14-Resolution - CC Land Transfer
- 15-Exhibit A (CC Reso 33433 Report)

City Attorney Review

Approved as to Form
Sheryl Patterson
2/29/2016 11:10:11 AM

SHRA Counsel Review

Approved as to Form
David Levin
2/19/2016 1:09:22 PM

Approvals/Acknowledgements

Department Director or Designee: LaShelle Dozier - 2/19/2016 1:09:22 PM

Description/Analysis

Issue: Pensione K (Project) is an affordable apartment complex owned by 1702 Studio Housing Partners L.P. (Barone Galasso and Associates, Inc. or Developer) in need of rehabilitation. The property is located on approximately 0.44 acres at 1100 17th Street in Sacramento's Midtown neighborhood. The Project was built in 1996 and includes a total of 127 studio units and two one-bedroom manager's units that comprise a four-story wood frame residential building with an elevator and stucco exterior. There is retail space on the ground floor. Adjacent to the Project at 1614 K Street are eight live/work loft units, known as Pensione K Artspace; these live/work units will not be impacted by the proposed Sacramento Housing and Redevelopment Agency's and Housing Authority financing. A vicinity map is included as Attachment 1.

The Developer has applied to the Agency and Housing Authority for the issuance of up to \$4.5 million in tax exempt mortgage revenue bonds, and a gap financing Agency loan of \$1.19 million. Additional project financing will include a bank loan, tax credit equity, restructuring existing Housing Authority loans and a deferred developer fee. Units will be regulated at 30, 40, 50 and 60 percent of Area Median Income (AMI).

The proposed rehabilitation of the Project will be an extensive renovation of this 20-year old housing development. Interior improvements will include replacing finishes, community kitchen appliances and plumbing and electrical throughout common areas. The community kitchen will be redesigned and all lighting will be replaced with LED. The on-site laundry room will have four additional sets of washer/dryers installed. Hallways and stairs will be upgraded with noise-reducing carpeting and new lighting. Individual unit improvements will include new flooring, window coverings, kitchen cabinets and sinks, closet shelves, low-flow bathroom faucets and showerheads, new bathroom sinks, bathtub enclosures, bathroom cabinets, low-flow toilets and electrical fixtures including LED lighting. Six sets of balcony doors will be replaced. Each unit will be repainted and life safety issues will be addressed.

Exterior improvements include replacing roofing, repainting and repairing exterior walls, replacing the building heating ventilation and air conditioning (HVAC) system and boiler, and site improvements to address paving and landscaping issues. Irrigation systems will be upgraded for water efficiency. Additionally the main entryway doors will be replaced for ADA compliance. A photo of the building is included as Attachments 2.

The property will continue to be occupied during the planned 90 to 120 day rehabilitation period. Tenants will be temporarily relocated to an off-site location on a rotating basis until work is complete. Temporary off-site relocation is expected to last 90 to 120 days but in no case will exceed one year without the option of permanent relocation.

Further background on the Project, Developer, property management, resident services, financing and affordability requirements is included as Attachment 3. A project summary, including a proposed sources and uses of funds, is included as Attachment 4. A project cash flow proforma is included as Attachment 5, and a schedule of maximum rents is included as Attachment 6.

In addition to the financing and rehabilitation of Pensione K, the Housing Authority desires approval to transfer the land under the eight live/work lofts and parking lot at Pensione K

Artspace to the Developer. This transfer will allow for conventional refinancing of the 120% AMI regulated units in the future. The Redevelopment Agency of the City of Sacramento originally owned the land beneath both the studios and the live/work lofts and entered into a lease with the owners for \$1.00 a year beginning in 1995. The Agency ultimately sold the lot beneath the studios to its existing owners to allow for construction financing. The land under Pensione K Artspace was transferred to the Housing Authority after the dissolution of redevelopment agencies in California.

Policy Considerations: The recommended actions are consistent: a) with the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies, priority 2. Recapitalization (Resolution No. 2009-148); b) with the 2013-2021 Housing Element, which encourages the preservation and rehabilitation of existing housing to ensure neighborhood livability and promote housing affordability (Resolution No. 2013-415); c) with the Sacramento Promise Zone Plans and Goals, Sustainably Built Community sub-goal to increase housing types and transit growth to promote livability and connectivity within the Promise Zone (Resolution No. 2015-263); and d) with the Downtown Housing Initiative and Initiation of the Downtown Specific Plan, whose goal is to bring 10,000 places to live to Downtown Sacramento by 2025 (Resolution No. 2015-282).

Regulatory restrictions on the property will be specified in regulatory agreements between the Developer and the Agency for a period of 15 years on the HOME assisted units and 55 years on the mortgage revenue bond assisted units. Compliance with the regulatory agreements will be monitored by the Agency on an annual basis. All units will be regulated for a period of 55 years as a Low Income Housing Tax Credit (LIHTC) funding requirement.

Economic Impacts: This multifamily residential project is expected to create 26.6 total jobs (15.1 direct jobs and 11.5 jobs through indirect and induced activities) and create \$2,218,622 in total economic output (\$1,352,388 of direct output and another \$866,234 of output through indirect and induced activities). Developer will be encouraged to use the First Source Program for employment opportunities.

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 the 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.

Sustainability Considerations: The Project has been reviewed for consistency with the goals, policies, and targets of the 2035 General Plan. If approved, the project will advance the following goals, policies, and policies that will directly or indirectly conserve energy resources

and reduce greenhouse gas emissions, in part, from 2035 General Plan: Housing Element – Strategies and Policies for Conserving Energy Resources – Climate Action Plan, subsection 7.2: The Sacramento Climate Action Plan (CAP) outlines measures to improve energy efficiency in existing buildings.

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 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 Action: It is anticipated that, at its meeting of March 2, 2016, 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.

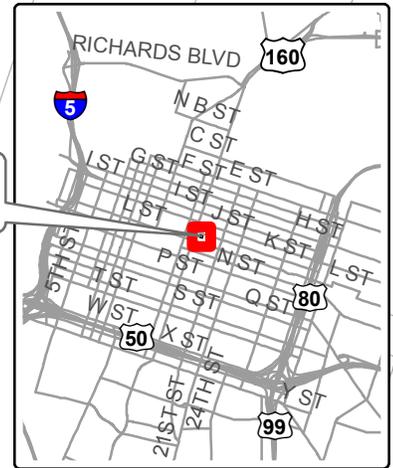
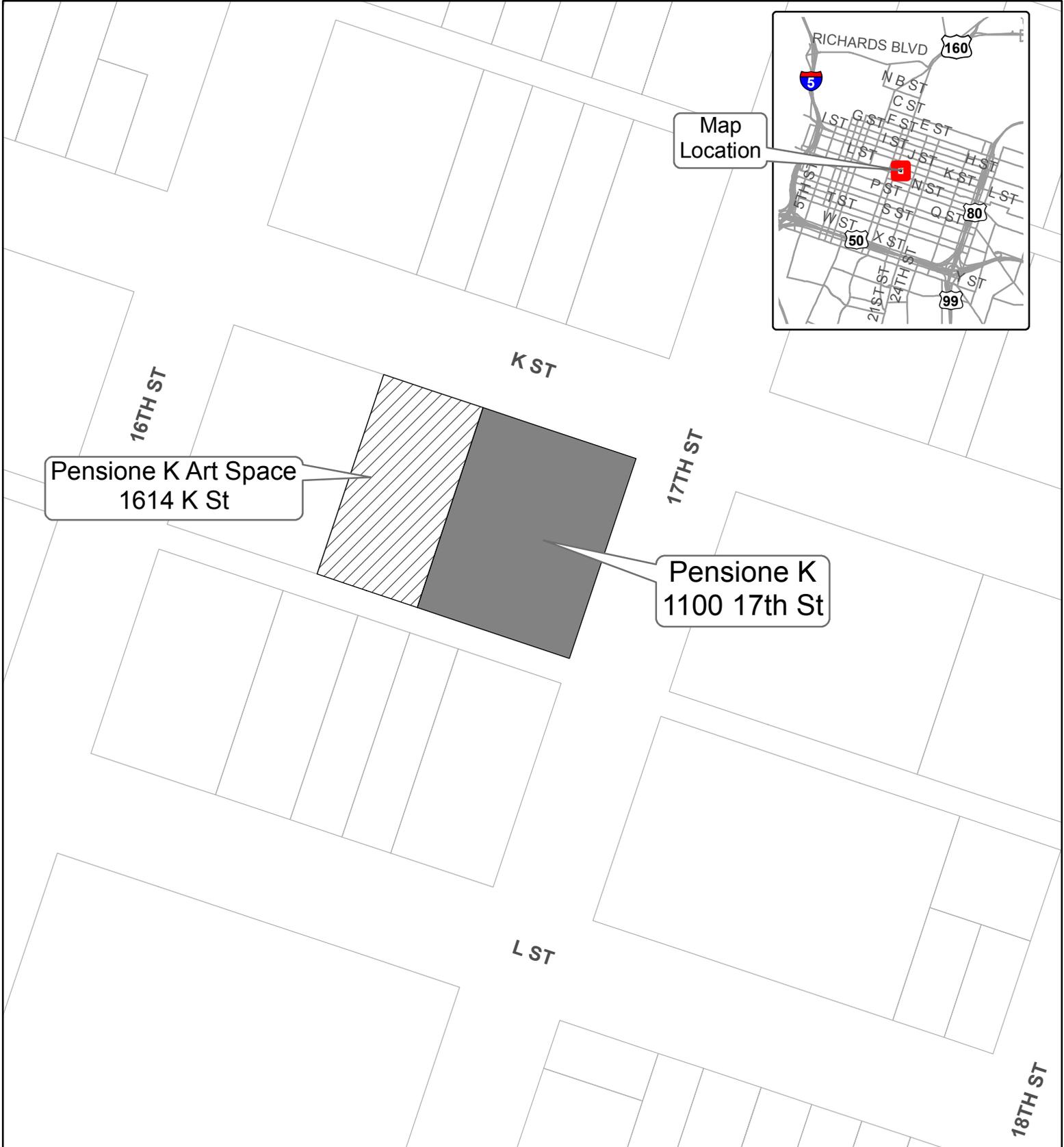
Rationale for Recommendation: The actions recommended in this report enable the Agency to continue to fulfill its mission to provide a range of affordable housing opportunities in the City and are consistent with the Agency’s previously approved Multifamily Lending and Mortgage Revenue Bond Policies, the City of Sacramento’s 2013-2021 Housing Element, Promise Zone Plans and Goals, and the Downtown Housing Initiative and Initiation of the Downtown Specific Plan.

Financial Considerations: The Agency will receive a one-time issuance fee of 0.25 percent of the \$4.5 million multifamily housing revenue bond amount (payable at bond closing), and annual payments for monitoring the regulatory restrictions and administration of the bonds, in the amount of 0.15 percent of the bond amount for the term of 55 years. The Developer will be responsible for payment of all costs, fees, and deposits relating to the bond application. Mortgage revenue bonds do not represent a financial obligation of the Agency, Housing Authority, or City of Sacramento. The Agency financing consists of an Agency loan of \$1.19 million in HOME funds and three existing loans with accrued interest of approximately \$1.8 million. The existing loans will be restructured and/or extended using their existing interest rates. The Loan Commitment is included as Exhibit A to the attached City Council Resolution.

LBE/M/WBE/Section 3 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 applicable. Developer will be encouraged to use the First Source Program for employment opportunities. Local Business Enterprise does not apply to this report.



Pensione K



Pensione K Art Space
1614 K St

Pensione K
1100 17th St

-  Pensione K
-  Pensione K Artspace



SHRA GIS
February 23, 2016

Pensione K



Pensione K Background Information

Description of Development: Barone Galasso and Associates, Inc. propose to rehabilitate Pensione K (Project), an existing affordable 129-unit apartment complex at 1100 17th Street. The Developer is requesting a \$1,190,000 Agency loan for the rehabilitation and the restructuring and/or extension of outstanding loans.

The Project was built in 1996 using Low Income Housing Tax Credits (LIHTC). The Project consists of 127 studio units and two one-bedroom manager's units in a four-story building. Income restrictions from the LIHTC financing require that no households at the 129-unit Project have an income higher than 60% Area Median Income (AMI). The Agency further requires 20% of the units to be restricted to households with incomes no greater than 50% AMI. Adjacent to the Project, on land currently owned by the Housing Authority of the City of Sacramento (Housing Authority), are eight live/work lofts known as Pensione K Artspace, located at 1614 K Street. The proposed Agency financing does not impact these eight live/work lofts.

The proposed work will include a complete rehabilitation of the Project, including interior and exterior repairs to the building and site improvements. Interior improvements will include replacing finishes, community kitchen appliances and plumbing and electrical throughout common areas. The community kitchen will be redesigned and all lighting will be replaced with LED. The on-site laundry room will have four additional sets of washer/dryers installed. Hallways and stairs will be upgraded to noise-reducing carpeting and new lighting. Individual unit improvements will include new flooring, window coverings, kitchen cabinets and sinks, closet shelves, low-flow bathroom faucets and showerheads, new bathroom sinks, bathtub enclosures, bathroom cabinets, low-flow toilets and electrical fixtures including LED lighting. Six sets of balcony doors will be replaced. Each unit will be repainted and life safety issues will be addressed.

Exterior improvements include replacing roofing, repainting and repairing exterior walls, replacing the building heating ventilation and air conditioning (HVAC) system and boiler, and site improvements to address paving and landscaping issues. Irrigation systems will be upgraded for water efficiency. Additionally the main entryway doors will be replaced for ADA compliance.

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

In addition to the financing and rehabilitation of Pensione K, the Agency desires approval to transfer the land under the eight live/work lofts and parking lot at Pensione K Artspace to the Developer. This transfer will allow for conventional refinancing of the 120% AMI regulated units in the future. The Redevelopment Agency of the City of Sacramento originally owned the land beneath both the studios and the live/work lofts

and entered into a lease with the owners for \$1.00 a year beginning in 1995. The Agency ultimately sold the lot beneath the studios to its existing owners to allow for construction financing. The land under Pensione K Artspace was transferred to the Housing Authority after the dissolution of Redevelopment in California. The units have been well maintained and are monitored annually by the Agency.

Developer: Barone Galasso and Associates, Inc. (BGA) is a real estate development and management company that has developed and managed affordable housing and residential hotels for the past 30 years throughout California. BGA owns 11 other properties in California, consisting of over 1200 affordable and market rate units. They have extensive experience in financing projects with tax credits, tax exempt bonds and other public and private funding sources.

Resident Services: Services will be provided to the residents by Pacific Housing Inc. (PHI), a non-profit with over 15 years of experience. PHI serves as the Managing General Partner in the ownership of over 90 affordable rental housing developments, consisting of 15,000 units. The service provider will be required to provide at least 20 hours of services per week. Programs will be tailored to the needs of the residents. Examples of services include Educational Classes, Service Coordination, and Social Events/Enrichment.

Property Management: The Project will be managed by Barone Galasso and Associates, Inc. The Agency staff has reviewed the management plan, including daily operations, leasing procedures, maintenance, and eviction procedures, and has found that the proposed management company meets the Agency's requirements for property management.

Project Financing: The Project's anticipated financing will include a bank loan, tax credit equity, existing Housing Authority loans, a deferred developer fee and an Agency loan of \$1,190,000 in City HOME Investment Partnership (HOME) funds. The law firm of Orrick, Herrington and Sutcliffe LLP will serve as bond counsel to the Housing Authority. Funding sources and uses are provided in the Project Summary as Attachment 5. A Cash Flow Proforma is provided as Attachment 6.

Low-Income Set-Aside Requirements: As a condition of receiving tax credits and the benefits of tax-exempt bond financing, federal law requires that apartments be set-aside for targeted income groups. Income restrictions from LIHTC financing require that no households have income higher than 60 percent AMI. The Agency further requires that 20 percent of the units be restricted to households with income no greater than 50 percent AMI. Maximum rent and income limits can be found in Attachment 7. Project affordability restrictions will be specified in regulatory agreements with the Developer. These anticipated sources and their affordability requirements are summarized in the following table:

Unit Type	% of Units	Affordability Restrictions	Units	Regulatory Requirements
Low Income Housing Tax Credits and Agency Loan	15%	Extremely Low (30% AMI)	20	55 years
Low Income Housing Tax Credits, Tax-exempt Bonds and Agency Loan	70%	Extremely Low (40% AMI)	92	55 years
Low Income Housing Tax Credits, Tax-exempt Bonds and Agency Loan	10%	Very Low (50% AMI)	11	55 years
Low Income Housing Tax Credits and Agency Loan	3%	Low (60% AMI)	4	55 years
Low Income Housing Tax Credits and Agency Loan	2%	Low (60% AMI)	2	55 years
Total	100%		129	

Pensione K
Residential Project Financial Summary

<u>Address</u>	1100 17th Street			
<u>Number of Units</u>	129			
<u>Year Built</u>	1995			
<u>Construction Type</u>	Rehabilitation			
<u>Acreage</u>	0.44			
<u>Affordability</u>	20 units at or below 30% AMI 92 units at or below 40% AMI 11 units at or below 50% AMI 6 units at or below 60% AMI			
<u>Unit Mix and Rents</u>	(30% AMI)	(40% AMI)	(50% AMI)	(60% AMI)
Studio	20	92	11	4
1 Bedroom (Staff)				2
TOTAL	20	92	11	6
<u>Square Footage</u>		<i>Per Unit</i>	<i>Total</i>	
Studio (30% AMI)		220	4,400	square feet
Studio (40% AMI)		260	23,920	square feet
Studio (50% AMI)		287	3,157	square feet
Studio (60% AMI)		440	1,760	square feet
1 Bedroom (Staff)		500	1,000	square feet
Common Areas			16,321	square feet
TOTAL			50,558	square feet
<u>Resident Facilities</u>	The project includes a community room and kitchen, resident lounge, courtyard and a 24 hour on-site laundry facility.			
<u>Permanent Sources</u>	<i>Current Total</i>	<i>Per Unit</i>	<i>Per Sq Ft</i>	
Federal Tax Credit Equity	\$ 2,399,796	\$ 18,603	\$ 47.47	
New Agency Loan	\$ 1,190,000	\$ 9,225	\$ 23.54	
Existing Agency Loan	\$ 1,752,628	\$ 13,586	\$ 34.67	
Private Term Loan	\$ 3,000,000	\$ 23,256	\$ 59.34	
NOI During Construction	\$ 176,514	\$ 1,368	\$ 3.49	
Deferred Developer Fee	\$ 195,000	\$ 1,512	\$ 3.86	
TOTAL SOURCES	\$ 8,713,938	\$ 67,550	\$ 172.36	
<u>Permanent Uses</u>				
Acquisition	\$ 3,800,000	\$ 29,457	\$ 75.16	
Construction	\$ 2,398,340	\$ 18,592	\$ 47.44	
Permits and Fees	\$ 10,000	\$ 78	\$ 0.20	
Architecture and Engineering	\$ 75,000	\$ 581	\$ 1.48	
Hard Cost Contingency	\$ 239,834	\$ 1,859	\$ 4.74	
Soft Cost Contingency	\$ 188,891	\$ 1,464	\$ 3.74	
Financing Costs	\$ 281,185	\$ 2,180	\$ 5.56	
Operating Reserves	\$ 250,000	\$ 1,938	\$ 4.94	
Legal Fees	\$ 155,000	\$ 1,202	\$ 3.07	
Developer Fee	\$ 792,153	\$ 6,141	\$ 15.67	
Relocation	\$ 437,485	\$ 3,391	\$ 8.65	
Insurance, Third Party, Marketing, Other	\$ 86,050	\$ 667	\$ 1.70	
TOTAL USES	\$ 8,713,938	\$ 67,550	\$ 172.36	
<u>Management / Operations</u>				
Proposed Developer:	Barone Galasso and Associates, Inc.			
Property Management Company:	Pacific Housing Inc.			
Operations Budget:	\$ 494,932	\$ 3,837		
Property Management	\$ 45,876	\$ 356		
Resident Services:	\$ 27,723	\$ 215		
Replacement Reserves:	\$ 38,700	\$ 300		

Unit Type	Number	Square Feet	Total Sq Feet	Gross Rent	Utility Allowance	Maximum Net Rent	Rent per Sq Foot	Total Mo. Rent	Current Annual Rent
Studio @ 30% AMI	20	220	4,400	\$ 375	\$ -	\$ 375	\$ 1.70	\$ 7,500	\$ 90,000
Studio @ 40% AMI	92	260	23,920	\$ 501	\$ -	\$ 501	\$ 1.93	\$ 46,092	\$ 553,104
Studio @ 50% AMI	11	287	3,157	\$ 626	\$ -	\$ 626	\$ 2.18	\$ 6,886	\$ 82,632
Studio @ 60% AMI	6	470	2,820	\$ 751	\$ -	\$ 751	\$ 1.60	\$ 4,506	\$ 54,072
Totals/Averages	129	266	34,297					\$ 64,984	\$ 779,808

Income	rate	annual increase	per unit	2018 Year 1	2019 Year 2	2020 Year 3	2021 Year 4	2022 Year 5	2027 Year 10	2028 Year 11	2029 Year 12	2030 Year 13	2031 Year 14	2032 Year 15
Potential Gross Income		2.50%		819,286	839,768	860,762	882,281	904,338	1,023,176	1,048,755	1,074,974	1,101,848	1,129,394	1,157,629
Other Income		2.50%		53,500	54,837	56,208	57,614	59,054	66,814	68,484	70,196	71,951	73,750	75,594
Less Vacancy	5.00%			40,964	41,988	43,038	44,114	45,217	51,159	52,438	53,749	55,092	56,470	57,881
Effective Gross Income				\$831,821	\$852,617	\$873,932	\$895,781	\$918,175	\$1,038,831	\$1,064,802	\$1,091,422	\$1,118,707	\$1,146,675	\$1,175,342
Operating Expenses														
Operating Expenses		3.50%	3,837	494,932	512,254	530,183	548,740	567,945	674,541	698,150	722,585	747,876	774,051	801,143
Assessments		2.00%	155	19,963	20,362	20,770	21,185	21,609	23,858	24,335	24,822	25,318	25,825	26,341
Property Management		3.50%	356	45,876	47,482	49,144	50,864	52,644	62,525	64,713	66,978	69,322	71,748	74,260
Resident Services		3.50%	215	27,723	28,694	29,698	30,737	31,813	37,784	39,106	40,475	41,892	43,358	44,876
Replacement Reserves			300	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700
Total Expenses			4,563	\$627,194	\$647,492	\$668,495	\$690,226	\$712,711	\$837,408	\$865,004	\$893,560	\$923,108	\$953,682	\$985,319

Net Operating Income				\$204,627	\$205,125	\$205,438	\$205,555	\$205,464	\$201,423	\$199,797	\$197,862	\$195,599	\$192,993	\$190,022
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Debt Service	amount	rate	amort	2018	2019	2020	2021	2022	2027	2028	2029	2030	2031	2032
Senior Loan	\$3,000,000	4.40%	35	168,150	168,150	168,150	168,150	168,150	168,150	168,150	168,150	168,150	168,150	168,150
SHRA Monitoring Fee	\$4,500,000	0.15%		6,750	6,750	6,750	6,750	6,750	6,750	6,750	6,750	6,750	6,750	6,750
Debt Service Subtotal				\$174,900	\$174,900	\$174,900	\$174,900	\$174,900	\$174,900	\$174,900	\$174,900	\$174,900	\$174,900	\$174,900
DCR on Senior Bonds				1.17	1.17	1.17	1.18	1.17	1.15	1.14	1.13	1.12	1.10	1.09
Priority Distributions														
Asset Management Fee (Investor)				5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Managing General Partner Fee				3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Priority Distributions Subtotal				8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000

Net Cash after Priority Distributions				\$21,727	\$22,225	\$22,538	\$22,655	\$22,564	\$18,523	\$16,897	\$14,962	\$12,700	\$10,093	\$7,123
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Deferred Developer Fee	amount	rate	2018	2019	2020	2021	2022	2027	2028	2029	2030	2031	2032
Principal Balance	\$195,000	4.00%	195,000	181,073	166,091	150,197	133,550	45,974	29,289	13,563	0	0	0
Interest for Period			7,800	7,243	6,644	6,008	5,342	1,172	1,839	543	0	0	0
Accumulated Interest			7,800	7,243	6,644	6,008	5,342	1,839	1,172	543	0	0	0
Payment			21,727	22,225	22,538	22,655	22,564	18,523	16,897	14,106	0	0	0
Balance			\$181,073	\$166,091	\$150,197	\$133,550	\$116,328	\$29,289	\$13,563	\$0	\$0	\$0	\$0

Net Cash after Deferred Developer Fee				\$0	\$0	\$0	\$0	\$0	\$0	\$856	\$12,700	\$10,093	\$7,123
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SHRA New HOME loan	amount	rate	2018	2019	2020	2021	2022	2027	2028	2029	2030	2031	2032
Principal Balance	\$1,190,000	4.00%	1,190,000	1,190,000	1,190,000	1,190,000	1,190,000	1,190,000	1,190,000	1,190,000	1,190,000	1,190,000	1,190,000
Interest for Period			47,600	47,600	47,600	47,600	47,600	47,600	47,600	47,600	47,600	47,600	47,600
Accumulated Interest			47,600	95,200	142,800	190,400	238,000	476,000	523,600	571,200	618,800	666,400	714,000
Payment			0	0	0	0	0	0	0	0	0	0	0
Balance			\$1,237,600	\$1,285,200	\$1,332,800	\$1,380,400	\$1,428,000	\$1,666,000	\$1,713,600	\$1,761,200	\$1,808,800	\$1,856,400	\$1,904,000

SHRA Existing HTF & TI loans	amount	rate	2018	2019	2020	2021	2022	2027	2028	2029	2030	2031	2032
Principal Balance	\$1,562,640	3.00%	1,562,640	1,562,640	1,562,640	1,562,640	1,562,640	1,562,640	1,562,640	1,562,640	1,562,640	1,562,640	1,562,640
Interest for Period			46,879	46,879	46,879	46,879	46,879	46,879	46,879	46,879	46,879	46,879	46,879
Accumulated Interest			46,879	93,758	140,638	187,517	234,396	468,792	515,671	562,550	609,430	656,309	703,188
Payment			0	0	0	0	0	0	0	0	0	0	0
Balance			\$ 1,609,519	\$ 1,656,398	\$ 1,703,278	\$ 1,750,157	\$ 1,797,036	\$ 2,031,432	\$ 2,078,311	\$ 2,125,190	\$ 2,172,070	\$ 2,218,949	\$ 2,265,828

SHRA Existing TI loan	amount	rate	2018	2019	2020	2021	2022	2027	2028	2029	2030	2031	2032
Principal Balance	\$189,988	4.00%	189,988	189,988	189,988	189,988	189,988	189,988	189,988	189,988	189,988	189,988	189,988
Interest for Period			7,600	7,600	7,600	7,600	7,600	7,600	7,600	7,600	7,600	7,600	7,600
Accumulated Interest			7,600	15,199	22,799	30,398	37,998	75,995	83,595	91,194	98,794	106,393	113,993
Payment			0	0	0	0	0	0	0	0	0	0	0
Balance			\$ 197,588	\$ 205,187	\$ 212,787	\$ 220,386	\$ 227,986	\$ 265,983	\$ 273,583	\$ 281,182	\$ 288,782	\$ 296,381	\$ 303,981

Pensione K Cash Flow Proforma

Attachment 6

MAXIMUM HOME RENT AND INCOME LEVELS 2015
Rents at 30%, 40%, 50% and 60% of Area Median Income

Maximum Income Limits:

Family Size	Max Income			
	30% AMI	40% AMI	50% AMI	60% AMI
1 person	\$ 15,030	\$ 20,040	\$ 25,050	\$ 30,060
2 person	\$ 17,160	\$ 22,880	\$ 28,600	\$ 34,320
3 person	\$ 19,320	\$ 25,760	\$ 32,200	\$ 38,640

Maximum Rent Limits:

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

Unit Size	Gross Rent			
	30% AMI	40% AMI	50% AMI	60% AMI
Studio	\$ 375	\$ 501	\$ 626	\$ 751

RESOLUTION NO. 2016-

Adopted by the Sacramento City Council

March 8, 2016

PENSIONE K: APPROVAL OF THE ISSUANCE OF OBLIGATIONS BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO ON BEHALF OF 1702 STUDIO HOUSING PARTNERS L.P., A CALIFORNIA LIMITED PARTNERSHIP (BARONE GALASSO AND ASSOCIATES, INC.) OR RELATED ENTITY

BACKGROUND

- A. The Housing Authority of the City of Sacramento, a housing authority organized and existing under the laws of the State of California (Authority), proposes a plan of financing for the issuance of multifamily housing revenue obligations (Obligations) in an amount not-to-exceed \$4.5 million and to lend the proceeds thereof to 1702 Studio Housing Partners L.P., a California limited partnership (Borrower) to be used to provide funds for the acquisition, rehabilitation and development of a 129-unit multifamily housing residential facility to be located at 1100 17th Street, Sacramento, California, to be owned by the Borrower and operated by Barone Galasso and Associates, Inc..
- B. Section 147(f) of the Internal Revenue Code of 1986 requires the execution and delivery of the Obligations to be approved by the Sacramento City Council (City Council), as the elected representative of the City of Sacramento, the host jurisdiction of the subject multifamily housing residential facility, after a public hearing has been held following reasonable and proper notice.
- C. A public hearing was held by the City Council on the 8th day of March, 2016, following duly published notice thereof, and all persons desiring to be heard have been heard.
- D. It is in the public interest and for the public benefit that the City Council, as the elected representative of the City of Sacramento, the host jurisdiction of the subject multifamily housing residential facility, approve the execution and delivery by the Authority of the Obligations.

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

- Section 1. The Sacramento City Council hereby finds, determines and declares that issuance by the Authority of the Obligations in the maximum principal amount of \$4.5 million for the purposes described above is hereby approved.

Section 2. This resolution shall take effect immediately upon its adoption.

RESOLUTION NO. 2016 -

Adopted by the Sacramento City Council

On date of

PENSIONE K: APPROVAL OF \$1,190,000 IN CITY HOME INVESTMENT PARTNERSHIP (HOME) FUNDS; EXECUTION OF COMMITMENT AND RELATED DOCUMENTS WITH 1702 STUDIO HOUSING PARTNERS L.P. (BARONE GALASSO AND ASSOCIATES, INC.) OR RELATED ENTITY; RELATED BUDGET AMENDMENT; AND ENVIRONMENTAL FINDINGS

BACKGROUND

- A. 1702 Studio Housing Partners L.P. (Barone Galasso and Associates, Inc.) (Developer) has applied for an allocation of \$1,190,000 in HOME funds to assist in funding the acquisition, rehabilitation and permanent financing of the 129-unit Pensione K.
- B. Pensione K is consistent with a) the Sacramento Housing and Redevelopment Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies, priority 4. Rehabilitation and New Production (Resolution No. 2009-148); b) the 2013-2021 Housing Element, which encourages the preservation and rehabilitation of existing housing to ensure neighborhood livability and promote housing affordability (Resolution No. 2013-415); c) the Sacramento Promise Zone Plans and Goals, Sustainably Built Community sub-goal to increase housing types and transit growth to promote livability and connectivity within the Promise Zone (Resolution No. 2015-263); and d) the Downtown Housing Initiative and Initiation of the Downtown Specific Plan, to bring 10,000 places to live to Downtown Sacramento by year 2025 (Resolution No. 2015-282).
- C. 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.
- D. 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 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 facts as presented and stated above, including the environmental facts and findings, as stated above, are found to be true and correct.
- Section 2. The Loan Commitment, attached as Exhibit A, for financing the Project with \$1,190,000 in HOME funds is approved , and the Sacramento Housing and Redevelopment Agency is delegated authority to execute and transmit the Loan Commitment to 1702 Studio Housing Partners L.P. (Barone Galasso and Associates, Inc.) or related entity.
- Section 3. The Agency is authorized to enter into and execute other documents, as approved to form by Agency Counsel, and perform other actions necessary to fulfill the intent of the Loan Commitment that accompanies this resolution, in accordance with its terms, and to ensure proper repayment of the Agency funds including without limitation, subordination, extensions consistent with Agency adopted policy and with this resolution.
- Section 4. The Agency is authorized to amend the Agency budget and allocate up to \$1,190,000 in HOME funds to Pensione K.

TABLE OF CONTENTS:

Exhibit A – Loan Commitment Letter

Date: March 8, 2016

Barone Galasso and Associates, Inc.
c/o Michael B. Galasso, Principal
1528 India Street
San Diego, CA 92101

RE: Conditional Loan Commitment for Pensione K

Dear Mr. Galasso:

On behalf of the Sacramento Housing and Redevelopment Agency (Agency), we are pleased to advise you of its commitment of permanent loan funds (Loan) comprised of \$1,190,000 in City Home Investment Partnership Program (HOME) for the purpose of financing the acquisition, rehabilitation and development of certain real property known as Pensione K, located at 1100 17th Street, 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 the Agency, this commitment is void.** Agency's obligation to make the Loan is subject to the satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

The Loan shall be made on standard Agency loan documents. No loan terms not in this funding commitment and the attached loan document forms shall be included in the final loan documents without additional environmental review and governing board approval. In the event of any discrepancies between terms stated in this commitment and the loan documents, the terms stated in the loan commitment letter shall be deemed to be terms of this commitment.

Unless otherwise agreed in writing by the Agency in exercise of its absolute discretion, the following shall be considered conditions to Agency approval of a financing commitment. The Agency may, in exercise of its absolute discretion, modify its requirements upon written notice to Borrower given at least sixty (60) days prior to close of escrow for the Property.

This commitment will expire March 8, 2017.

1. PROJECT DESCRIPTION: Pensione K (Project) is an existing 129-unit affordable development located in the Midtown area of Sacramento. Built in 1996, the Project

consists of 127 studio units and two one-bedroom manager units that comprise a four-story wood frame residential building with an elevator and stucco exterior. On-site amenities include a community room and kitchen, resident lounge, courtyard and a 24 hour laundry facility. The development includes 23 open parking spaces, which are accessible from an alley. There is commercial space on the ground level.

2. **BORROWER**: The name of the Borrower for the Loan is 1702 Studio Housing Partners L.P., a California limited partnership (Barone Galasso and Associates, Inc., LLC, or related entity).
3. **PURPOSE OF LOAN**: The Loan is to be used by Borrower solely to pay the costs of acquisition, rehabilitation, development and for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, and such other agreements as may be generally required by the Agency for the use of the funding source for the Loan.
4. **PRINCIPAL AMOUNT**: The combined principal amount of the Loan will be the lesser of (a) \$1,190,000 in HOME funds or (b) an amount to be determined prior to close of the Loan based on a project budget approved by Agency.
5. **TERM OF LOAN**: The Loan shall mature 57 years or 684 months from the date of closing, at which point any and all unpaid principal and interest on the loan will be due and payable.
6. **INTEREST RATE**: The Loan will bear simple interest at four percent (4%) per annum. Interest shall be calculated on the basis of a 365-day year and actual number of days elapsed.
7. **ANNUAL REPAYMENT**: Monthly principal and interest payments shall be deferred from the Loan's Effective Date through the first 203 months. Beginning in month 204 annual installments shall be made according to the payment schedule contained in the Loan Agreement, calculated to achieve an annual 1.2 debt coverage ratio. Annual payments shall be applied first to outstanding interest accrued and unpaid and then to principal.
8. **SOURCE OF LOAN FUNDS**: Agency is making the Loan from the following sources of funds, and the Loan is subject to all requirements related to the use of such, whether Agency requirements or otherwise: City HOME funds. 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)**

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 lien upon the Property and Improvements subject only to liens senior to the Agency's lien securing loans from Citibank and Royal Bank of Canada and such other items as the Agency may approve in writing. The Loan shall also be secured by security agreements. The Agency may subordinate said deeds of trust in order to accommodate completion of rehabilitation of the Property.
11. LEASE AND RENTAL SCHEDULE: All leases of the Property and Improvements shall be subject to Agency's review and approval prior to execution. Borrower shall not deviate from the rental schedule presented in Borrower's application for the Loan without Agency's prior written approval; 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 \$2,530,469 in Low Income Housing Tax Credit Equity and no less than \$207,282 in deferred developer fee. If LIHTC equity goes below \$2,530,469 it must be offset by an increase in deferred developer fee.
13. EXTENSION PERIOD: The Project currently has three existing loans. There are two existing loans at 3% interest: a Housing Trust Fund loan and a Low/Moderate Tax Increment Housing Authority loan with a total outstanding balance with accrued interest of approximately \$1,562,640 which will mature in 2027. The Project has another Low/Moderate Tax Increment Housing Authority loan at 4% interest, with a total outstanding balance with accrued interest of approximately \$189,988 which will mature in 2027. The existing debt will be restructured and/or extended and assigned to 1702 Studio Housing Partners L.P. (Barone Galasso and Associates, Inc.) or related entity. Any restructuring of the loans and associated documents includes extending their maturity to a date 55 years after the proposed rehabilitation of the Project.
14. OTHER FINANCING: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements

superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:

(a) As a condition precedent to disbursement of the remainder of the Agency loan, construction financing from a private lender(s) in an amount(s) sufficient to complete construction of the Property according to a scope of work as approved by Agency and made for a term not less than that specified in the Schedule of Performances for completion of construction, and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.

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

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

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

15. EVIDENCE OF FUNDS: Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its absolute discretion; and c) Agency's contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.
16. SOILS AND TOXIC REPORTS: 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. It has also 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 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.
17. LOAN IN BALANCE: Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders or the equity investor are sufficient, in the sole judgement of the Agency, to pay for the remainder of the work to be done on the Project as required by written agreement

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

18. PLANS AND SPECIFICATIONS: Final plans and specifications, if any, for the Project must be in accordance 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.
19. ARCHITECTURAL AGREEMENT: The architectural agreement (Agreement), if any, for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
20. CONSTRUCTION CONTRACT: The construction contract (Contract), if any, and any change orders issued thereunder, and the contractor (Contractor) to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Contract as security for the Loan. Agency may require Contractor to provide a performance and payment bond in a form acceptable to Agency for the amount of the Contract.
21. RETENTION AMOUNT: The Agency shall retain ten percent (10.0%) as retention from each disbursement, not to exceed a total of ten percent (10.0%) of the total amount of the Loan.
22. COST BREAKDOWN: Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements. The breakdown shall conform to the Project plans and specifications and the budget approved with this commitment. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency, Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

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

Agency shall make disbursements of the Loan based on a cost breakdown that lists line items in cost categories. Agency shall require that Borrower provide documentation supporting all requests for disbursement of Loan funds, including proof of work done and

actual expenditure. Agency shall conduct inspections of the Property to assure that the work was done before making a disbursement.

23. COST SAVINGS: At completion of construction, Borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency. The cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the 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, after adjusting for any decrease in any funding source including any loss of any equity investment due to an adjustment in the allowable tax credits, the Agency shall withhold for itself as loan repayment, one-half of such savings from the amount of retention then held by the Agency, and the Loan balance shall be reduced by the amount so withheld. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency loan based upon this cost certification and the original approved budget for the Project.
24. START OF CONSTRUCTION: Borrower shall commence construction at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than sixty (60) days following the close of construction financing.
25. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than 24 months following the close of construction financing.
26. SECURITY CAMERAS AND OUTSIDE LIGHTING: Project shall include installation of a security camera system at vehicular driveways and additional exterior lighting, all as approved by the Agency.
27. INSURANCE PROVIDER: Each policy of insurance required under the Loan shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of A+ VII, which rating has been substantially the same or increasing for the last five (5) years, or such other equivalent rating, as may reasonably be approved by Lender's legal counsel.
28. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance and during construction Builder's Risk completed value insurance in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000.00).

29. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain public liability and property damage insurance (with Agency named as additional insured) in a form approved by Agency. Coverage must be approved by Agency and must be in at least the following limits of liability: (1) Commercial General Liability insurance in Insurance Services Office (ISO) policy form CG 00 01 Commercial General Liability (Occurrence) or better with limits of liability, which are not less than \$1,000,000, per occurrence limit; \$5,000,000 general aggregate limit, and \$5,000,000 products and completed operations aggregate limit, all per location of the Project; (2) Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single limit and \$1,000,000 aggregate; (3) Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$1,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate; and (4) Comprehensive Automobile Liability for any vehicle used for or in connection with the Work of \$1,000,000. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000). Borrower must also procure and maintain workers' compensation and all other insurance required under applicable law, as required by law and as approved by Agency.
30. TITLE INSURANCE: Borrower must procure and deliver to Agency an ALTA Lender's Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to CLTA endorsement nos. 100, 116 and 102.5/102.7 insuring Agency in an amount equal to the principal amount of the Loan, that Agency's Deed of Trust constitutes a third lien or charge upon the Property and Improvements subject only to such items as shall have been approved by Agency. There must be no exceptions permitted for mechanics liens. Title insurance for the Loan must be issued by a title insurer approved by Agency.
31. 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.
32. PURCHASE OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.
33. 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.

34. 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.
35. RESIDENT SERVICES AGREEMENT: Prior to execution, Borrower must submit to Agency any agreement providing for the resident services by a third party which agreement is subject to Agency Approval. The agreement must include a minimum of twenty (20) hours per week of on-site resident services.
36. LOW INCOME HOUSING TAX CREDITS (LIHTC): Borrower represents that as a condition of closing this Loan it is applying for an allocation of LIHTC's and agrees to perform all actions and to meet all requirements to maintain the LIHTC allocation if granted.
37. SMOKE-FREE ENVIRONMENT: At least 50% of the units must be smoke free. All indoor common areas must be smoke-free.
38. 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.
39. 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.
40. 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.
41. ACCEPTANCE OF THIS COMMITMENT: Borrower's acceptance of this Commitment shall be evidenced by signing and delivering to Agency the enclosed copy of this letter. Until receipt of such acceptance by Agency, Agency shall have no obligation under this

letter. Agency may withdraw this commitment at any time prior to Borrower's acceptance.

Sincerely,

La Shelle Dozier
Executive Director

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

Dated: March 8, 2016

BORROWER:

1702 Studio Housing Partners L.P., a California limited partnership
(Barone Galasso and Associates, Inc., or related entity)

By: _____
Michael B. Galasso, Principal

RESOLUTION NO. 2016 –

Adopted by the Housing Authority of the City of Sacramento

on date of

PENSIONE K: APPROVAL OF RESTRUCTURING AND/OR EXTENDING THE EXISTING DEBT AND ASSIGNMENT TO 1702 STUDIO HOUSING PARTNERS L.P. (BARONE GALASSO AND ASSOCIATES, INC.) OR RELATED ENTITY

BACKGROUND

- A. 1702 Studio Housing Partners L.P. (Barone Galasso and Associates, Inc.) or related entity (Developer), has applied for an allocation of \$1,190,000 to assist in funding the acquisition and rehabilitation of the 129-unit Pensione K (Project). The Project consists of 127 studios and two one-bedroom manager's units.
- B. The Project currently has a Housing Authority of the City of Sacramento (Housing Authority) Low/Moderate Tax Increment loan at 4% interest, with a total outstanding balance with accrued interest of approximately \$189,988 which will mature in 2027. The Project also has a Housing Trust Fund and a Low/Moderate Tax Increment Housing Authority loan, both with 3% interest, with a total outstanding balance with accrued interest of approximately \$1,562,640 which will mature in 2027. The Project has another The Developer has requested that the existing debt be restructured and/or extended and assigned to a new limited partnership formed by Barone Galasso and Associates, Inc. Any restructuring of the loans and associated documents includes extending their maturity to a date 55 years after the proposed rehabilitation of the Project.
- C. The existing project loans, due to the Housing Trust Fund and Low/Moderate Tax Increment fund origin and related regulatory agreements, are housing assets under California Health and Safety Code Section 34176.
- D. On April 1, 2013, the California Department of Finance issued its final determination related to the Housing Asset Transfer assets. This final determination included these existing tax increment loans.
- E. 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.
- F. 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 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 HOUSING AUTHORITY OF THE CITY OF SACRAMENTO, RESOLVES AS FOLLOWS:

- Section 1. The facts as presented and stated in the Background above, including the environmental facts are found to be true and correct.
- Section 2. The Executive Director, or designee, is authorized to restructure and/or extend the existing debt and assign it to a new limited partnership formed by Barone Galasso and Associates, Inc., extending the loans' maturity to a date 55 years after completion of the proposed rehabilitation.
- Section 3. The Executive Director, or designee, is authorized to execute the Loan Commitment Letter and related documents with 1702 Studio Housing Partners L.P. (Barone Galasso and Associates, Inc.) or a related entity.
- Section 4. The Executive Director, or designee, is authorized to release outdated recorded restrictions associated with the original loan as these restrictions have been superseded by more comprehensive, longer-term restrictions and covenants.
- Section 5. The Executive Director, or designee, is authorized to consent to the assumption of the obligations by 1702 Studio Housing Partners L.P. (Barone Galasso and Associates, Inc.) or a related entity, in order to ensure the continued viability of the development.

RESOLUTION NO. 2016 –

Adopted by the Housing Authority of the City of Sacramento

on date of

PENSIONE K: APPROVAL OF TRANSFERRING LAND TO 1702 STUDIO HOUSING PARTNERS L.P. (BARONE GALASSO AND ASSOCIATES, INC.) OR RELATED ENTITY (DEVELOPER);

BACKGROUND

- A. 1702 Studio Housing Partners L.P. (Barone Galasso and Associates, Inc.) or related entity (Developer), has applied for an allocation of \$1,190,000 to assist in funding the acquisition and rehabilitation of the 129-unit Pensione K (Project). The Project consists of 127 studios and two one-bedroom manager's units. Adjacent to the Project are eight live/work lofts at 1614 K Street, on a separate property known as Pensione K Artspace. The proposed Agency funding assists the Project and not the eight live/work lofts at Pensione K Artspace.
- B. The land beneath the Pensione K Artspace is owned by the Housing Authority of the City of Sacramento (Housing Authority). Originally a Redevelopment Agency Project, the land beneath both the Project and the Artspace lofts were leased to the owners for \$1.00 a year beginning in 1995. The Redevelopment Agency sold the land beneath the Project in 1998 to its existing owners, the Sacramento SRO Limited Partnership, as part of the Project's then financing.
- C. The Housing Authority now desires approval of transferring the land under the eight live/work lofts at 1614 K Street and adjacent parking lot to the Developer which will allow for conventional refinancing in the future. The land is not required for the foreseeable needs of the Housing Authority and live /work spaces built upon the land will continue to house persons and low and moderate income as defined in Health and Safety Code §50093.
- D. In 2011 the California Legislature enacted AB 1x 26, which, coupled with a subsequent decision of the State Supreme Court, resulted in the dissolution of redevelopment agencies as of February 1, 2012.
- E. The City of Sacramento, by Resolution Number 2012-018 (adopted on January 31, 2012), 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..

- F. The Housing Authority of the City of Sacramento, by Resolution Number 2012-006 (adopted on January 31, 2012), accepted the housing assets and housing functions previously performed by the Redevelopment Agency of the City of Sacramento..
- G. The Redevelopment Agency of the City of Sacramento, by resolution Number 2013-001 (adopted on January 31, 2012) transferred its housing assets and housing functions to the Housing Authority of the City of Sacramento.
- H. On April 1, 2013, the California Department of Finance issued its final determination related to the Housing Asset Transfer assets. This final determination included this land underneath the live/work Artspace lofts.
- I. 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.
- J. 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 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 HOUSING AUTHORITY OF THE CITY OF SACRAMENTO, ACTING AS SUCCESSOR HOUSING AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, RESOLVES AS FOLLOWS:

- Section 1. The facts as presented and stated in the Background above, including the environmental facts are found to be true and correct.
- Section 2. The Executive Director, or designee, is authorized to transfer the land beneath the lofts at Pensione K Artspace (1614 K Street) and the adjacent parking lot to the Developer allowing for conventional refinancing in the future.
- Section 3. The Executive Director, or designee, is authorized to consent to the assumption of the obligations by 1702 Studio Housing Partners L.P. (Barone Galasso and Associates, Inc.) or a related entity, in order to ensure the continued viability of the development.

RESOLUTION NO. 2016 -

Adopted by the Housing Authority of the City of Sacramento

March 8, 2016

PENSIONE K: A RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO DECLARING INTENTION TO REIMBURSE EXPENDITURES FROM THE PROCEEDS OF TAX-EXEMPT OBLIGATIONS AND DIRECTING CERTAIN ACTIONS

BACKGROUND

- A. The Housing Authority of the City of Sacramento (the "Authority") intends to issue tax-exempt obligations (the "Obligations") for the purpose, among other things, of making a loan to 1702 Studio Housing Partners LP, a California limited partnership (the "Developer"), the proceeds of which shall be used by the Developer to finance the acquisition, rehabilitation and development of a 129-unit multifamily housing residential facility to be located at 1100 17th Street, Sacramento, California (the "Project"); and
- B. United States Income Tax Regulations section 1.150-2 provides generally that proceeds of tax-exempt debt are not deemed to be expended when such proceeds are used for reimbursement of expenditures made prior to the date of issuance of such debt unless certain procedures are followed, among which is a requirement that (with certain exceptions), prior to the payment of any such expenditure, the issuer must declare an intention to reimburse such expenditure; and
- C. it is in the public interest and for the public benefit that the Authority declare its official intent to reimburse the expenditures referenced herein;

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

- Section 1. The Authority intends to issue the Obligations for the purpose of paying the costs of financing the acquisition, rehabilitation and development of the Project.
- Section 2. The Authority hereby declares that it reasonably expects that a portion of the proceeds of the Obligations will be used for reimbursement of expenditures for the acquisition, rehabilitation and development of the Project that are paid before the date of initial execution and delivery of the Obligations.
- Section 3. The maximum amount of proceeds of the Obligations is not to exceed \$4,500,000 and is to be used for reimbursement of expenditures for the acquisition, rehabilitation and development of the Project that are paid before the date of initial execution and delivery of the Obligations.
- Section 4. The foregoing declaration is consistent with the budgetary and financial circumstances of the Authority in that there are no funds (other than proceeds of the Obligations) that are reasonably expected to be (i) reserved, (ii) allocated or

(iii) otherwise set aside, on a long-term basis, by or on behalf of the Authority, or any public entity controlled by the Authority, for the expenditures for the acquisition, rehabilitation and development of the Project that are expected to be reimbursed from the proceeds of the Obligations.

- Section 5. The Developer shall be responsible for the payment of all present and future costs in connection with the issuance of the Obligations, including, but not limited to, any fees and expenses incurred by the Authority in anticipation of the issuance of the Obligations, the cost of printing any official statement, rating agency costs, bond counsel fees and expenses, underwriting discount and costs, trustee fees and expense, and the costs of printing the Obligations. The payment of the principal, redemption premium, if any, and purchase price of and interest on the Obligations shall be solely the responsibility of the Developer. The Obligations shall not constitute a debt or obligation of the Authority.
- Section 6. The appropriate officers or Authority staff are hereby authorized, for and in the name of and on behalf of the Authority, to make an application to the California Debt Limit Allocation Committee for an allocation of private activity bonds for the financing of the Project.
- Section 7. The adoption of this Resolution shall not obligate (i) the Authority to provide financing to the Developer for the acquisition, rehabilitation and development of the Project or to issue the Obligations for purposes of such financing; or (ii) the Authority, or any department of the Authority or the City of Sacramento to approve any application or request for, or take any other action in connection with, any environmental, General Plan, zoning or any other permit or other action necessary for the acquisition, rehabilitation, development or operation of the Project.
- Section 8. This resolution shall take effect immediately upon its adoption.

RESOLUTION NO. 2016 –

Adopted by the Sacramento City Council

on date of

PENSIONE K: APPROVAL OF TRANSFERRING LAND TO 1702 STUDIO HOUSING PARTNERS L.P. (BARONE GALASSO AND ASSOCIATES, INC.) OR RELATED ENTITY (DEVELOPER);

BACKGROUND

- A. 1702 Studio Housing Partners L.P. (Barone Galasso and Associates, Inc.) or related entity (Developer), has applied for an allocation of \$1,190,000 to assist in funding the acquisition and rehabilitation of the 129-unit Pensione K (Project). The Project consists of 127 studios and two one-bedroom manager's units. Adjacent to the Project are eight live/work lofts at 1614 K Street, on a separate property known as Pensione K Artspace. The proposed Sacramento Housing and Redevelopment Agency funding assists the Project and not the eight live/work lofts at Pensione K Artspace.
- B. The land beneath the Pensione K Artspace is owned by the Housing Authority of the City of Sacramento (Housing Authority). Originally a Redevelopment Agency Project, the land beneath both the Project and the Artspace lofts were leased to the owners for \$1.00 a year beginning in 1995. The Redevelopment Agency sold the land beneath the Project in 1998 to its existing owners, the Sacramento SRO Limited Partnership, as part of the Project's then financing.
- C. The Housing Authority as the housing successor to the dissolved Redevelopment Agency now desires approval of transferring the land under the eight live/work lofts at 1614 K Street and adjacent parking lot to the Developer which will allow for refinancing in the future. The land is not required for the foreseeable needs of the Housing Authority and live/work spaces built upon the land will continue to house persons and low and moderate income as defined in Health and Safety Code §50093.
- D. In 2011 the California Legislature enacted AB 1x 26, which, coupled with a subsequent decision of the State Supreme Court, resulted in the dissolution of redevelopment agencies as of February 1, 2012.
- E. The City of Sacramento, by Resolution Number 2012-018 (adopted on January 31, 2012), 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.

- F. The Housing Authority of the City of Sacramento, by Resolution Number 2012-001 (adopted on January 31, 2012), elected to serve as the housing successor agency and accepted the housing assets and housing functions previously performed by the Redevelopment Agency of the City of Sacramento.
- G. The Redevelopment Agency of the City of Sacramento, by resolution Number 2013-001 (adopted on January 31, 2012) transferred its housing assets and housing functions to the Housing Authority of the City of Sacramento.
- H. On April 1, 2013, the California Department of Finance issued its final determination related to the Housing Asset Transfer assets. This final determination included the land underneath the live/work Artspace lofts.
- I. 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.
- J. 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 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.
- K. A report under Health and Safety Code 33433 has been prepared, filed with the Agency Clerk and duly made available for public review, a copy of which is attached to and incorporated in the resolution by the reference and, proper notice having been given, a hearing has been held in accordance with Health and Safety Code Sections 33431 and 33433.
- L. The initial construction of the live/work lofts at 1614 K Street enhanced the neighborhood and reduced blight. It was consistent with the Implementation Plan for the Merged Downtown Redevelopment Area which promotes the economic vitality of downtown business and increased housing opportunities available in the Central City to a target market of low-wage workers. The proposed transfer will build upon the neighborhood enhancement and elimination of blight by allowing for the continued operation of the property at 1614 K Street by 1702 Studio Housing Partners L.P. (Barone Galasso and Associates, Inc. or related entity). This will also allow the partnership to access financing in the future.

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

- Section 1. The facts as presented and stated in the Background above, including the environmental facts are found to be true and correct.
- Section 2. The statements and findings of the 33433 Report are true and correct and are hereby adopted. The project will improve and preserve the

community's supply of low and moderate income housing available at an affordable cost as provided in the 33433 report – Exhibit A attached hereto.

Section 3. The City Council approves the transfer of the Housing Authority Property to Pensione K Artspace, A California Limited Partnership.

TABLE OF CONTENTS:

Exhibit A – 33433 Report

**Report Regarding the Disposition of Property Acquired Directly or Indirectly with
Tax Increment Funds
(Health & Safety Code Section 33433)**

I. SUMMARY OF THE PROPOSED REAL PROPERTY TRANSFER

Location

The subject property is located at 1614 K Street in the City of Sacramento's Midtown neighborhood. It is an existing affordable live/work loft complex owned by 1702 Studio Housing Partners L.P. (Barone Galasso and Associates, Inc. or related entity). The property at 1614 K Street consists of eight live/work loft units and a parking lot. The property is located on approximately .3 acres and zoned Residential Mixed Use – Urban Neighborhood (RMX-UN).

Future Owner

The buyer is 1702 Studio Housing Partners L.P. (Barone Galasso and Associates, Inc. or related entity). This entity currently has a ground lease for the property at 1614 K Street and owns 1100 17th Street, the property adjacent to live/work lofts and parking lot at Pensione K Artspace. Both properties are regulated and monitored annually by the Sacramento Housing and Redevelopment Agency (Agency) for compliance with their respective regulatory agreements. The transfer of the property at 1614 K Street will allow for refinancing in the future.

Transfer

The Housing Authority of the City of Sacramento desires approval to transfer the land under the eight live/work lofts and parking lot at 1614 K Street, Pensione K Artspace, to the 1702 Studio Housing Partners L.P. (Barone Galasso and Associates, Inc. or related entity) which will allow for refinancing related to the 120 percent AMI regulated units in the future. The Redevelopment Agency of the City of Sacramento originally owned the land beneath the live/work lofts and parking lot. The lot beneath the lofts and parking lot was leased to the owners for \$1.00 a year beginning in 1995. The land under Pensione K Artspace was transferred to the Housing Authority of the City of Sacramento (Housing Authority) after the dissolution of redevelopment agencies in California.

II. COST OF THE AGREEMENT AND LEASE TO THE AGENCY

This section presents the total cost of the Transfer Agreement for the Authority, as well as the "net cost" of the transfer after consideration of revenues. The net cost can be either actual costs, when expenditures exceed receipts, or a net gain, when revenues exceed expenditures or valuation.

Estimated Costs to the Authority

The site was purchased by the Redevelopment Agency of the City of Sacramento in 1987. The valuation of the property at the time was \$448,488 based upon an appraisal.

33433 Report

AGENCY'S COST OF ACQUIRING THE LAND	
Land Valuation at time of acquisition - 1987	\$448,488
Commissions	\$ -
Closing Costs	\$ -
Relocation Costs	\$ -
Land Clearance Costs	\$ -
Financing Costs	\$ -
Improvement Costs (e.g. utilities or foundations added)	\$ -
Other Costs	\$ -
TOTAL	\$448,488

ESTIMATED VALUE OF INTEREST CONVEYED	
Value of the property determined at its highest and best use under the redevelopment plan (based on estimated assessed value)	\$213,443

ESTIMATED REUSE VALUE OF INTEREST CONVEYED	
Value of property determined with consideration of the restrictions and development costs imposed by the Agreement (based on estimated assessed value)	\$213,443

VALUE RECEIVED AT DISPOSITION	
The purchase price due to the Authority	\$0

Property

The estimated value of 1614 K Street and the lease are the approximately the same. Therefore, the transaction is financially neutral.

III. EXPLANATION OF DISPOSITION FOR LESS THAN FULL VALUE

The Authority desires approval to transfer the land under the eight live/work lofts and parking lot at 1614 K Street, Pensione K Artspace, to the 1702 Studio Housing Partners L.P. (Barone Galasso and Associates, Inc. or related entity) which will allow for refinancing of the loan related to the 120 percent AMI regulated units in the future. The

33433 Report

Redevelopment Agency of the City of Sacramento originally owned the land beneath the live/work lofts and parking lot. The lot beneath the lofts and parking lot was leased to the owners for \$1.00 a year beginning in 1995. The land under Pensione K Artspace was transferred to the Housing Authority of the City of Sacramento (Housing Authority) after the dissolution of Redevelopment in California.

IV. ELIMINATION OF BLIGHT

The initial construction of the live/work lofts at 1614 K Street enhanced the neighborhood and reduced blight. It was consistent with the Implementation Plan of the Merged Downtown Redevelopment Area which promotes the economic vitality of downtown business and increased housing opportunities available in the Central City to a target market of low-wage workers. This makes it possible to retain jobs and stimulate more economic development in the area. The development of the property in the 1990s also contributed to streetscape improvements, business development and infrastructure improvements in the neighborhood. The proposed transfer will build upon the neighborhood enhancement and elimination of blight by allowing for the continued operation of the property at 1614 K Street by 1702 Studio Housing Partners L.P. (Barone Galasso and Associates, Inc. or related entity). This will also allow the partnership to access financing in the future.

V. CONFORMANCE WITH FIVE-YEAR IMPLEMENTATION PLAN

The applicable Five-Year Implementation Plan program objectives for the Merged Downtown Area are the following: Providing a Range of Housing Opportunities for All Family Types. To these ends, the Agency transferring the site to 1702 Studio Housing Partners L.P. will allow for refinancing in the future.