



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

**STAFF REPORT
SEPTEMBER 5, 2006**

Honorable Mayor and
Members of the City Council and Redevelopment Agency of the City of Sacramento

Title: \$1,638,000 AGENCY LOAN: ACQUISITION AND REHABILITATION OF
WASHINGTON SQUARE III AND SHERWOOD COURT APARTMENTS

Location/Council District: 929 E street and 1218 D Street, Council District 1

Recommendation: **1)** Redevelopment Agency adopt a **Redevelopment Agency Resolution** authorizing the Executive Director or her designee to a) execute a loan commitment and related loan agreements with Community Housing Opportunities Corporation (CHOC); and b) amend the Agency budget to transfer \$500,000.00 from Merged Downtown Tax Allocation Bond funds to the Washington Square III/ Sherwood Court Apartments. **2)** City Council adopt a **City Council Resolution** authorizing the Executive Director or her designee to a) execute a loan commitment and related loan agreements with CHOC; and b) amend the Agency budget to transfer \$1,138,000 from City HOME funds to the Washington Square III/ Sherwood Court Apartments.

Contact:

Jim Hare, Assistant Director, Housing Policy and Development, 440-1399 ext. 1313
Sheri Smith, Housing Finance Analyst, 440-1399 ext. 1209

Description/Analysis:

Washington Square III and Sherwood Court are two HUD 236 projects, located within two and one half blocks of each other, with project-based Section 8 for all 54 units in the combined complexes. The original 20-year Section 8 contract has expired and the owners intend to sell the property. These units of affordable housing are at risk of converting to market rate if CHOC is unable to acquire the property before the purchase and sale agreement expires on September 30, 2006. Successful purchase will protect 54 existing very-low and extremely-low income households from displacement. A location map and a vicinity map are included as Attachments 1 and 2.

RAC Action:

The Alkali Flat Redevelopment Advisory Committee reviewed the recommendations of this report at its August 3, 2006 meeting and voted in support of the Agency's financing of Washington Square III and Sherwood Court.

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Commission Action:

At its meeting on August 16, 2006, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES: Burruss, Fowler, Gore, Hoag, Piatkowski, Simon.

NOES: None.

ABSENT: Burns, Shah, Stivers.

ABSTAIN: Coriano.

Policy Considerations:

All recommended actions are consistent with previously approved Agency loan policies. Developer compliance with regulatory agreements and the property's physical condition will be monitored by the Agency on a regular basis.

Environmental Considerations:

The proposed action is exempt from environmental review per CEQA Guidelines Sections 15310 and 15301 (a) and (d). These sections exempt from environmental review loans used to acquire existing structures and the rehabilitation of deteriorated structures to meet current building standards.

The project includes rehabilitation work, but the unit density will not be changed and the estimated cost of rehabilitation is less than 75 percent of the total estimated cost of replacement after rehabilitation. Therefore, the proposed action is categorically excluded from environmental review under the National Environmental Protection Act pursuant to 24 CFR Section 58.35(a)(3). As a result, no further environmental review is required.

Rationale for Recommendation:

This action will preserve 54 units of affordable housing in the Alkali Flat Redevelopment Area. These units are available to very low-income households (at or below 50% Area Median Income) and to extremely low-income households (at or below 30% AMI). Approval of the attached resolution will preserve affordable housing that is well suited for families and has deep affordability targeting. A detailed project background and project summary are included as Attachments 3 and 4.

Financial Considerations:

The recommended actions are consistent with the previously approved Agency Multifamily Loan Program. The \$1,638,000 Agency loan will be funded with \$1,138,000 City HOME funds and \$500,000 Merged Downtown Tax Allocation Bond funds. Because of the short timeframe to purchase this property and preserve it as affordable, SHRA will release \$1,375,000 at the close of acquisition financing for the immediate acquisition. The remaining \$263,000 will be made available at the close of construction financing, if CHOC is awarded an allocation of 9% Tax Credits. CHOC will apply for Tax

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Credits in the Spring of 2007 under the Preservation Set aside, which has been historically undersubscribed in California. In the unlikely event they do not receive a Tax Credit Allocation, CHOC will operate the property, as it is currently being operated, with renewed Section 8 contracts and will look at alternative financing structures to fund rehabilitation in the future. The loan will be made consistent with standard Agency multifamily loan underwriting guidelines. Regulatory restrictions on the property will be specified in loan Regulatory Agreements between the Developer and SHRA. Compliance with the regulatory agreements will be monitored by the Agency on a regular basis. A cash flow analysis and commitment letter are included as Attachments 5 and 6.

M/WBE Considerations:

Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding.

Respectfully Submitted by: *Lisa Bates for*
ANNE M. MOORE
Executive Director

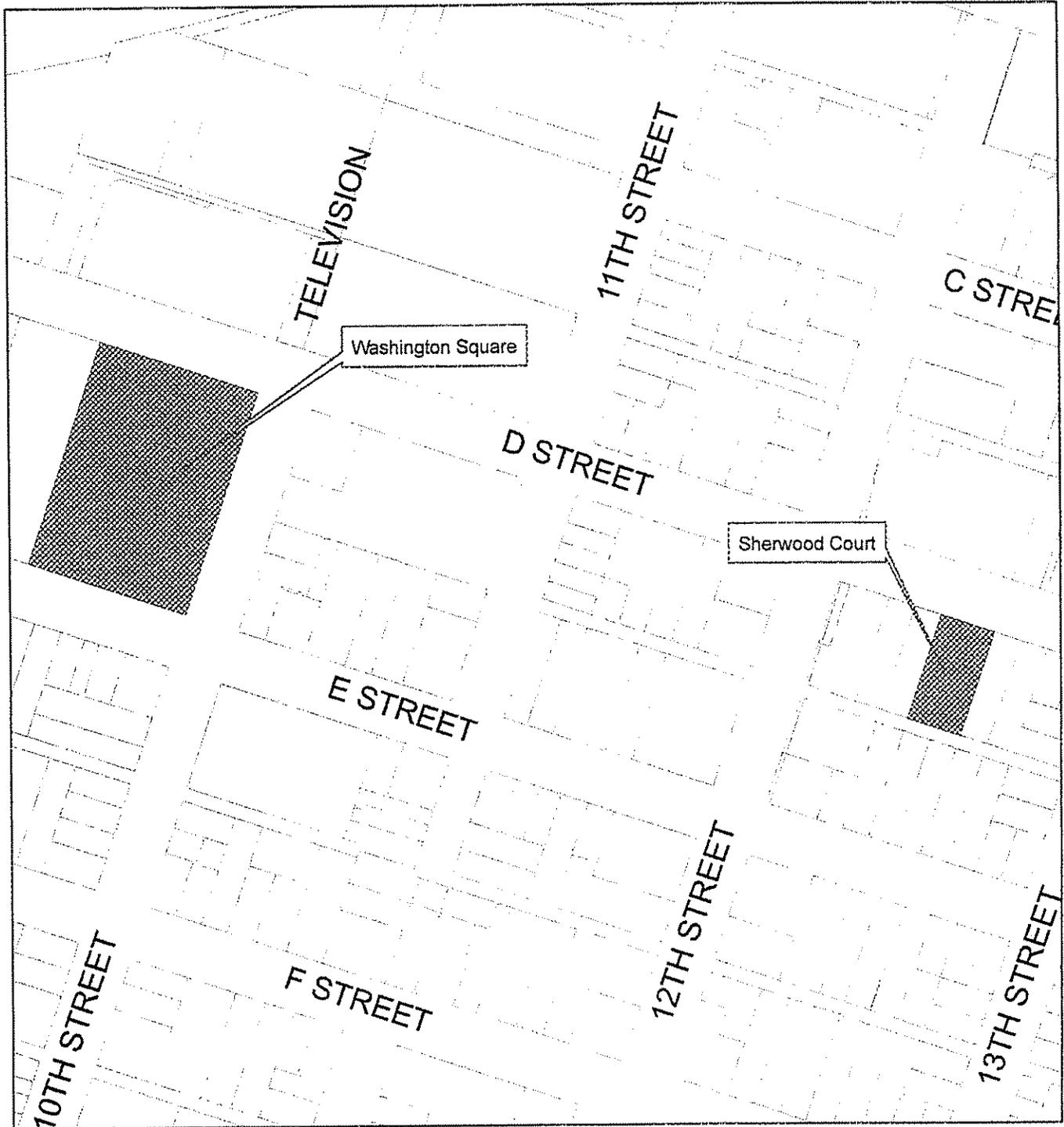
Recommendation Approved:

for *Cassandra H.B. Jennings*
RAY KERRIDGE
City Manager

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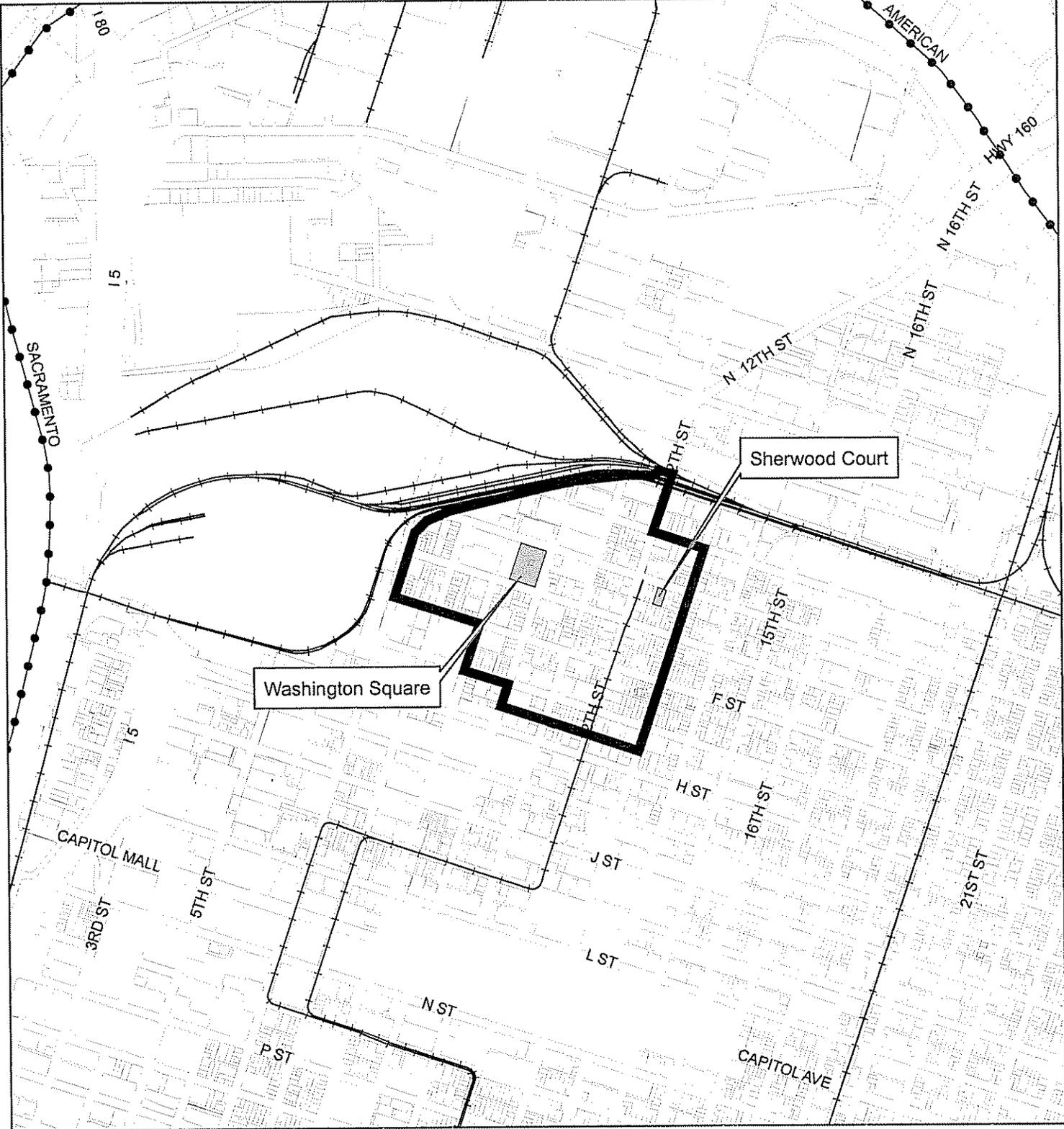
Washington Square and Sherwood Court Apartments Location Map



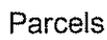
Legend

 Parcels

Washington Square and Sherwood Court Apartments Vicinity Map



Legend

-  Alkali Flat Redevelopment Area
-  Railways
-  Rivers
-  Parcels

Project Background

Washington Square III and Sherwood Court are two HUD 236 projects located in the Alkali Flat Redevelopment Area. Washington Square III is a 40 unit complex at 929 E Street and Sherwood Court is a 14 unit complex at 1218 D Street. Both properties have HUD 236 contracts with project based Section 8 for all 54 units.

The original 20-year Section 8 contract has expired and the owners are currently renewing on an annual basis because of their desire to sell the property. They have elected to first offer the properties to a non-profit buyer, but want the purchase to occur before September 30, 2006. If CHOC is unable to acquire the property by the deadline, the owners intend to notice the residents and sell to any buyer who can close quickly. This usually means a for profit developer that will likely let the annual Section 8 contracts expire, and convert the units to market rate. This is what occurred at Washington Square I and II, which displaced many low-income families over time.

Project Description

Washington Square is the larger 40 unit complex consisting of:

- 8 – 1-bedroom/1-bath units (625 square feet)
- 16 – 2-bedroom/1-bath units (864 square feet)
- 8 – 3-bedroom/2-bath units (1250 square feet)
- 8 – 4-bedroom/2-bath units (1388 square feet)

The complex is located adjacent to Zapata Park providing open green space, basketball courts, and a large play structure. The project site is attractively laid out with mature landscaping, a centralized laundry facility, and a manager's office.

The complex has been well maintained and is in good overall condition with a new roof that was replaced this year. The building rehabilitation work will include replacing single pane windows with dual pane windows, modernizing interior finishes, updating appliances, and replacing worn or damaged countertops, carpets, and cabinetry. The project needs a fair amount of site work to create accessible pathways to and from public and common areas. The manager's office and laundry facilities will be rehabilitated as well.

Sherwood Oaks is the smaller 14 unit property consisting of two bedroom flats and two bedroom townhome units situated around a centralized courtyard area with on-site laundry facilities, on-site parking, and gated entry. This project is in fair condition needing a new roof and improvements to the electrical and HVAC systems. The building and site rehabilitation will include all of the items mentioned for Washington Square as well as the roof, electrical, and HVAC improvements.

Affordability and Rent Levels

Because both properties have project based Section 8, the tenants pay 30 percent of their income for housing. The tenant paid portion of the rent is based on individual income certification and HUD pays the remaining amount to the property. The project will be affordable to very low and extremely low income households per the following schedule:

Unit Type	Target AMI	Number of Units
1 bedroom	30%	1
	40%	1
	50%	5
2 bedroom	30%	3
	40%	3
	50%	24
3 bedroom	30%	2
	40%	2
	50%	6
4 bedroom	50%	6
Manager's Unit – 1 bedroom		1

Development Team

The project will be owned by a limited partnership in which CHOC will be the managing general partner. CHOC is a 501(c)(3) not for profit entity which also qualifies as a Community Housing Development Organization (CHDO) with the U.S. Department of Housing and Urban Development (HUD). CHOC is a very active developer of affordable housing with extensive experience in both new construction and rehabilitation of older properties. CHOC has participated in the development of over 1,100 affordable multi-family rental units and 74 single-family homes, including 350 affordable units in Sacramento County.

Project Financing

Because of the short timeframe to purchase this property and preserve it as affordable, CHOC is moving quickly to finance the immediate acquisition. In addition to the SHRA loan, US Bank is providing a loan for \$3,344,000 for the initial purchase of the property. After acquiring the property, CHOC plans to work with HUD to enter into 20 year Section 8 contracts for all 54 units. In the first round of 2007, CHOC will apply for 9% federal tax credits from the at-risk set aside for the rehabilitation and long term permanent financing of the project.

Washington Square & Sherwood Court

Address	Sherwood Court - 1218 D Street, Sacramento Washington Square - 929 E Street, Sacramento			
Number of Units	54			
Year Built	1976			
Acreage	2.25 acres			
Affordability	6 Units @ 30% AMI 6 units @ 40% AMI 41Units @ 50% AMI 1 Manager's Unit			
Unit Mix and Rents	(30% AMI)	(40% AMI)	(50% AMI)	Manager
1 Bedroom	1	1	5	1
2 Bedroom	3	3	24	
3 Bedroom	2	2	6	
4 Bedroom			6	
Square Footage	52,268			
Resident Facilities	On-site laundry facilities, manager's office, a small room for resident services, mature landscaping, and common areas.			
Permanent Sources	<i>Total</i>	<i>Per Unit</i>	<i>Per Square Foot</i>	
Senior Loan	\$ 1,157,000	\$ 21,426	\$ 22.14	
Tax Credit Equity	\$ 5,826,995	\$ 107,907	\$ 111.48	
Agency Loan	\$ 1,638,000	\$ 30,333	\$ 31.34	
FHLB - AHP	\$ 467,840	\$ 8,664	\$ 8.95	
Deferred Developer Fee Note	\$ 250,000	\$ 4,630	\$ 4.78	
Income From Operations	\$ 157,655	\$ 2,920	\$ 3.02	
TOTAL SOURCES	\$ 9,497,490	\$ 175,879	\$ 181.71	
Permanent Uses				
Acquisition Costs	\$ 4,180,000	\$ 77,407	\$ 79.97	
Construction Costs	\$ 1,947,356	\$ 36,062	\$ 37.26	
Contractor Overhead & Profit	\$ 264,600	\$ 4,900	\$ 5.06	
Architecture and Engineering	\$ 94,650	\$ 1,753	\$ 1.81	
Financing Costs	\$ 1,069,739	\$ 19,810	\$ 20.47	
Property Taxes and Assessments	\$ 2,000	\$ 37	\$ 0.04	
Operating Reserves	\$ 159,111	\$ 2,947	\$ 3.04	
Permits and Development Fees	\$ 50,000	\$ 926	\$ 0.96	
Reports, Survey, Title, Escrow, Legal	\$ 231,200	\$ 4,281	\$ 4.42	
Other: Relocation	\$ 27,000	\$ 500	\$ 0.52	
Contingency	\$ 373,419	\$ 6,915	\$ 7.14	
Insurance Costs	\$ 41,546	\$ 769	\$ 0.79	
Developer Fee	\$ 1,056,869	\$ 19,572	\$ 20.22	
TOTAL USES	\$ 9,497,490	\$ 175,879	\$ 181.71	
Management / Operations	Community Housing Opportunities Corporation			
Proposed Developer:	Sterling Asset Management Company			
Property Management Company:				
Operations Budget:	\$244,044	\$4,519		
Replacement Reserves:	\$16,200	\$300		

September 5, 2006
Community Housing Opportunities Corporation
1490 Drew Avenue, Suite 160
Davis, CA 95616
Attn: Melanie Snider

RE: Conditional Funding Commitment, Washington Square III and Sherwood Court Apartments

Dear Ms. Snider:

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") for the purpose of financing the acquisition, rehabilitation and permanent financing of that certain real property located at 929 E Street and 1218 D 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 Agency, this commitment is void. Agency's obligation to make the Loan is subject to satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

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

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

This commitment will expire April 30, 2007.

1. PROJECT DESCRIPTION: The project is the acquisition and rehabilitation of the 40-unit Washington Square Apartments and the 14-unit Sherwood Court Apartments, APNs 002-0111-032-0000 and 002-0121-028-0000 respectively. The projects will be managed together, will be 100% affordable, and 9 units will be HOME restricted. All restricted units, whether restricted by HOME or another funding source, will be HOME eligible.
2. BORROWER: The name of the Borrower for the Loan is Community Housing Opportunities Corporation (CHOC), or a limited liability company or limited partnership to be formed by CHOC.
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 funding source for the Loan.

4. PRINCIPAL AMOUNT: The combined principal amount of the Loan will be the lesser of (a) One million, six hundred thirty-eight thousand dollars (\$1,638,000.00), or (b) an amount to be determined prior to close of the Loan based on a project budget approved by Agency. Agency will release \$1,375,000.00 for the acquisition of the Property and the remaining \$263,000 will be made available at the close of construction financing to fund rehabilitation ("Improvements"), if CHOC is awarded an allocation of 9% Tax Credits. If CHOC does not receive an allocation of Tax Credits, the principle amount of the Loan will be \$1,375,000.000. The combined indebtedness of the Property after completion of the Improvements at permanent loan conversion must not exceed ninety percent of the appraised value.
5. TERM OF LOAN: The term of the Loan will be 360 months from the date of the senior lender's permanent loan conversion or January 1, 2010, whichever date is earlier.
6. INTEREST RATE: The Loan will bear interest at Four Percent (4%) simple interest per annum, commencing on the earlier of the date of the senior lender's permanent loan conversion or January 1, 2010. Interest shall be calculated on the basis of a 365-day year and actual days elapsed.
7. AMORTIZATION AND MONTHLY PAYMENTS: Payments shall be applied first to outstanding interest accrued and unpaid and then to principal. Interest and principal payments shall be deferred from the earlier of the date of the senior lender's permanent loan conversion or January 1, 2010 for 180 months. Beginning in month 181, monthly installments shall be made according to the following schedule based on distribution of the full loan amount:

Months 181-192	\$1,501 per month
Months 193-204	\$1,460 per month
Months 205-216	\$1,406 per month
Months 217-228	\$1,341 per month
Months 229-240	\$1,262 per month
Months 241-252	\$1,170 per month
Months 253-264	\$1,063 per month
Months 265-276	\$ 941 per month
Months 277-288	\$ 802 per month
Months 289-300	\$ 647 per month
Months 301-312	\$ 473 per month
Months 313-324	\$ 280 per month
Months 325-336	\$ 68 per month
Months 337-348	\$ 0 per month
Months 349-360	\$ 0 per month
Month 360	All unpaid principle and interest

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: \$1,138,000.00 City HOME funds and \$500,000.00 Merged Downtown Tax Allocation Bond Funds. This Loan is conditioned upon Borrower's acceptance of Agency's requirements and conditions related to such lending programs and funding sources, including among others, the required forms of agreements for the Loan; the requirements for covenants, conditions and restrictions upon the Property; and insurance and indemnity requirements.

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

_____ (Borrower Initial)

Borrower acknowledges that every contract for new construction or rehabilitation construction of housing that includes 12 or more units assisted with HOME funds will contain a provision requiring the payment of not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act (40 U.S.C. 276a-5), to all laborers and mechanics employed in the development of any part of the housing. Such contracts must also be subject to the overtime provisions, as applicable, of the Contract Work Hours and Safety standards Act (40 U.S.C. 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 second lien upon the Property and Improvements subject only to senior and subordinate bond and loan debt 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 acquisition and rehabilitation of the Property.
11. **LEASE AND RENTAL SCHEDULE:** All leases of the Property and Improvements shall be subject to Agency's approval prior to execution. Borrower shall not deviate from the rental

schedule presented in Borrower's application for the Loan without Agency's prior written approval.

12. PROOF OF EQUITY: If project is successful in obtaining a 9% Tax Credit Allocation, borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$5,826,895.00 in Low Income Housing Tax Credit Equity.
13. OTHER FINANCING: Borrower, as a requirement of the Loan, shall submit loan documents to Agency for any 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:

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

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

14. EVIDENCE OF FUNDS: Prior to the first \$1,375,000.00 disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the acquisition 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.

Prior to any disbursement of the \$263,000.00 construction portion of the Loan, Borrower must be awarded an allocation of 9% Tax Credits and must demonstrate adequate and assured funding to complete the rehabilitation 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.

15. SOILS AND TOXIC REPORTS: Borrower must submit a 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 undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders are sufficient, in the sole judgement of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency. Should the Agency determine that the Loan is not "in balance", the Agency may declare the Loan to be in default.
17. PLANS AND SPECIFICATIONS: Final plans and specifications for the Improvements 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 for rehabilitation. 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 Improvements.
18. ARCHITECTURAL AGREEMENT: The architectural agreement ("Agreement") for the preparation of the plans and specifications for the Improvements 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.
20. RETENTION AMOUNT: The Agency shall retain ten percent (10%) of the total loan amount for construction of the Improvements as retention, to be disbursed per Agency lending policies.
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 of the Improvements, Borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which shall indicate the amounts actually spent for each item in the cost breakdown. If there is an aggregate savings in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Agency, the Agency shall be repaid one-half of such savings and the Loan balance shall be reduced by the amount. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency Loan based upon this cost certification, the original approved budget for the Improvements, and the impact on permanent financing of 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 December 31, 2007.
24. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than December 31, 2008.
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 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: Bodily injury liability of \$1,000,000 each occurrence and \$1,000,000 Aggregate, Products and Completed Operations; Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single limit and \$1,000,000 aggregate; 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 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 1970 or 1987 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 Deeds of Trust constitutes a second 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. FINANCIAL INFORMATION: During the term of the Loan, Borrower shall deliver to Agency within 120 days of the end of each fiscal year an audited income and expense statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. During the term of the Loan, Borrower must deliver to Agency a monthly rent-roll including household composition information, and operating statements with respect to the Property and Improvements, as Agency may request.
30. MANAGEMENT AGREEMENT: Prior to execution, Borrower must submit to Agency any agreement providing for the management or operation of the Property or Improvements by a third party which agreement is subject to Agency Approval.
31. LOW INCOME HOUSING TAX CREDITS ("LIHTC"): Borrower represents that as a condition of closing the acquisition portion of this Loan it will apply for an allocation of LIHTCs and agrees to perform all actions and to meet all requirements to maintain the LIHTC allocation if granted.
32. 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.

33. 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.
34. 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.
35. 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.
36. CAMERAS: Project Improvements shall include a security camera system and additional lighting of the guest parking area to be approved by the Agency.
37. SAFETY: Safety Improvements shall be made to the laundry rooms including requiring that doors be closed and locked at all times which residents access with their assigned key. Laundry room windows shall remain uncovered at all times providing a clear view into the laundry room.

Yours truly,

Anne M. Moore
Executive Director

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

Dated:

BORROWER:

By: _____
[Name, Title]

RESOLUTION NO. 2006 -

Adopted by the Sacramento City Council

ON DATE OF

WASHINGTON SQUARE III AND SHERWOOD COURT APARTMENTS: APPROVAL OF \$1,138,000 ACQUISITION AND REHABILITATION HOME LOAN; EXECUTION OF LOAN COMMITMENT, LOAN AGREEMENT, AND RELATED DOCUMENTS WITH COMMUNITY HOUSING OPPORTUNITIES CORPORATION; RELATED BUDGET AMENDMENT

BACKGROUND

- A. Washington Square III and Sherwood Court are two apartment projects containing 54 units for low income households located in the Alkali Flat Redevelopment Project Area.
- B. Development of these apartments was originally funded by HUD under the 236 program with project-based Section 8 operating assistance. The HUD contract has expired and the owner intends to sell the properties. All 54 units of affordable housing at these complexes are at risk of converting to market rate.
- C. Community Housing Opportunities Corporation, a 501(c)(3) public benefit corporation, has requested an Agency loan for the acquisition, rehabilitation, and permanent financing of these properties to preserve these units as affordable housing for 55 years.
- D. Allocation of HOME funds to finance the loan to acquire and preserve these affordable housing units will benefit the low income residents.

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

Section 1: All of the evidence presented having been duly considered, the findings, including the environmental findings regarding this action, as stated in the staff report that accompanies this resolution, are approved.

Section 2: The Sacramento Housing and Redevelopment Agency (Agency) is authorized to amend the Agency Budget to transfer \$1,138,000 from City HOME funds to the Washington Square III and Sherwood Court Apartments.

Section 3: The Loan Commitment, attached to the staff report and incorporated in this resolution by this reference, for the financing of the Washington Square III and Sherwood Court Apartments project in an amount not to exceed

\$1,638,000 ("Loan"), which includes \$500,000 in Merged Downtown Tax Allocation Bond funds from the Redevelopment Agency of the City of Sacramento and allocates \$1,375,000 for acquisition and \$263,000 for rehabilitation, is approved. The Sacramento Housing and Redevelopment Agency is authorized to execute and transmit the Loan Commitment to Community Housing Opportunities Corporation or related entity.

Section 4: Subject to the satisfaction of conditions in the Loan Commitment, the Sacramento Housing and Redevelopment Agency is authorized to prepare and execute any and all documents required for the making of the Loan (including without limitation the documents necessary for the use of the allocated funds and the documents necessary to make and reasonably administer the Loan); provided, however that:

- (a) The Loan shall be made on the terms set out in the Loan Commitment and the staff report that accompanies this resolution; and
- (b) Agency Counsel shall prepare the Loan documents in accordance with the Loan Commitment and the staff report that accompanies this resolution; and in accordance with all applicable laws, regulations and policies regarding the making of the Loan and the use of the allocated funds.

Section 5: The Sacramento Housing and Redevelopment Agency is authorized to execute the Loan Commitment and to execute the Loan documents in a form approved by the Agency Counsel and to enter into other agreements, execute other documents, and perform other actions necessary to fulfill the intent of the staff report that accompanies this resolution; the Loan Commitment, in accordance with their respective terms, and to ensure proper repayment of Agency funds, including without limitation, subordination, extensions and restructuring of payments, all as approved by Agency Counsel.

Section 6: The Sacramento Housing and Redevelopment Agency is authorized to make technical amendments to said agreements and documents with the approval of Agency Counsel, which amendments are in accordance with the Loan Commitment, with Agency policy, with this resolution, with good legal practices for the making of such a loan, and with the staff report that accompanies this resolution.

RESOLUTION NO. 2006 -

Adopted by the Redevelopment Agency of the City of Sacramento

ON DATE OF

WASHINGTON SQUARE III AND SHERWOOD COURT APARTMENTS: APPROVAL OF \$500,000 ACQUISITION AND REHABILITATION TAX INCREMENT HOUSING LOAN; EXECUTION OF LOAN COMMITMENT, LOAN AGREEMENT, AND RELATED DOCUMENTS WITH COMMUNITY HOUSING OPPORTUNITIES CORPORATION; RELATED BUDGET AMENDMENT

BACKGROUND

- A. Washington Square III and Sherwood Court are two apartment projects containing 54 units for low income households located in the Alkali Flat Redevelopment Project Area.
- B. Development of these apartments was originally funded by HUD under the 236 program with project-based Section 8 operating assistance. The HUD contract has expired and the owner intends to sell the properties. All 54 units of affordable housing at these complexes are at risk of converting to market rate.
- C. Community Housing Opportunities Corporation, a 501(c)(3) public benefit corporation, has requested an Agency loan for the acquisition, rehabilitation, and permanent financing of these properties to preserve these units as affordable housing for 55 years.
- D. Allocation of Merged Downtown tax increment housing funds to finance the loan to acquire and preserve these affordable housing units will benefit these two project areas by retaining affordable housing within the downtown area.

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

Section 1: All of the evidence presented having been duly considered, the findings, including the environmental findings regarding this action, as stated in the staff report that accompanies this resolution, are approved.

Section 2. The Executive Director is authorized to amend the Agency Budget to transfer \$500,000.00 from Merged Downtown Tax Allocation Bond funds to the Washington Square III and Sherwood Court Apartments.

Section 3: The Loan Commitment, attached to the staff report and incorporated in this resolution by this reference, for the financing of the Washington Square III and Sherwood Court Apartments project in an amount not to exceed \$1,638,000 ("Loan"), which includes \$1,138,000 in HOME funds from the Sacramento Housing and Redevelopment Agency and allocates \$1,375,000 for acquisition and \$263,000 for rehabilitation, is approved and the Executive Director is authorized to execute and transmit the Loan Commitment to Community Housing Opportunities Corporation or related entity.

Section 4: Subject to the satisfaction of conditions in the Loan Commitment, the Executive Director is authorized to prepare and execute any and all documents required for the making of the Loan (including without limitation the documents necessary for the use of the allocated funds and the documents necessary to make and reasonably administer the Loan); provided, however that:

- (a) The Loan shall be made on the terms set out in the Loan Commitment and the staff report that accompanies this resolution; and
- (b) Agency Counsel shall prepare the Loan documents in accordance with the Loan Commitment and the staff report that accompanies this resolution; and in accordance with all applicable laws, regulations and policies regarding the making of the Loan and the use of the allocated funds.

Section 5: The Executive Director is authorized to execute the Loan Commitment and to execute the Loan documents in a form approved by the Agency Counsel and to enter into other agreements, execute other documents, and perform other actions necessary to fulfill the intent of the staff report that accompanies this resolution, the Loan Commitment, in accordance with their respective terms, and to ensure proper repayment of Agency funds, including without limitation, subordination, extensions and restructuring of payments, all as approved by Agency Counsel.

Section 6: The Executive Director is authorized to make technical amendments to said agreements and documents with the approval of Agency Counsel, which amendments are in accordance with the Loan Commitment, with Agency policy, with this resolution, with good legal practices for the making of such a loan, and with the staff report that accompanies this resolution.