



**Sacramento
Housing &
Redevelopment
Agency**

**REPORT TO COUNCIL
AND HOUSING AUTHORITY
City of Sacramento**

915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

Public Hearing
November 6, 2007

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

Title: Tax-Exempt Bond and Agency Loan for Southcrest Apartments

Location/Council District: 7390 24th Street, Council District 8

Recommendation: 1) Adopt a **Housing Authority Resolution** a) indicating the willingness of the Housing Authority of the City of Sacramento to issue up to \$3,000,000 in tax-exempt mortgage revenue bonds to provide construction and permanent financing for Southcrest Apartments; b) authorizing an application to the California Debt Limit Allocation Committee (CDLAC) for authority to issue the bonds; c) indicating that the City Council has conducted a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing related to the proposed acquisition, construction, and permanent financing of the project; and d) authorizing the Executive Director to execute all necessary documents associated with the transaction; 2) adopt a **City Resolution** a) approving funding from City Home Investment Partnership (HOME) funds for an Agency loan of up to \$1,500,000 for Southcrest Apartments, including \$400,000 for the acquisition of the property; and b) authorizing the Executive Director to execute all necessary documents associated with the transaction; and 3) adopt a **City Resolution** approving the issuance of tax-exempt obligations.

Contact: Lisa Bates, Deputy Executive Director, 440-1319, Christine Groth Weichert, Assistant Director, Housing and Community Development, 440-1353

Presenter: Christine Groth Weichert, Assistant Director, Housing and Community Development

Department: Sacramento Housing and Redevelopment Agency

Tax-Exempt Bonds and Agency Loan for Southcrest Apartments

Description/Analysis

Issue: This report recommends the issuance of up to \$3,000,000 in tax-exempt mortgage revenue bonds and approval of a loan of up to \$1,500,000 in HOME funds for the acquisition, rehabilitation, and permanent financing of Southcrest Apartments. The proposed project by Domus Development, LLC (Developer) would preserve 30 units of multifamily affordable housing currently at risk of going to market-rate.

Southcrest Apartments is an existing housing project made affordable by a project-based Housing Assistance Payment (HAP) contract with the U.S. Department of Housing and Urban Development (HUD) that covers 30 units. Under the HAP contract, tenants pay 30 percent of their income for rent and the balance of the rent is paid by HUD. The current contract is subject to annual renewal and the Southcrest owner is willing to sell to a market-rate developer at any time. Instead, Domus Development intends to secure a long-term HAP contract that would ensure continued rent subsidies for residents for a 20-year period. The Developer will be negotiating new rental rates on the HAP contract; the estimated income from these projected rates is reflected in the attachments to this report. The Agency will require the Developer to renew the HAP contract on the property following the 20-year contract as long as it is available.

The proposed HOME loan, combined with tax-exempt bonds and Low Income Housing Tax Credits (LIHTC's), will ensure adequate financing for the project. The HOME loan, bonds, and tax credits together will regulate the rents at 50 and 60 percent of Area Median Income (AMI) for 55 years. The Developer has requested that up to \$400,000 of the Agency loan be used to complete the acquisition of the property before the purchase contract expires in December 2007. The remainder of the Agency loan would be available for rehabilitation expenses after the project receives its bond and tax credit allocations early in 2008.

The project was built in 1981 and needs substantial improvements to bring it up to current standards. The Developer proposes a rehabilitation budget of approximately \$1,061,000 to make the necessary improvements. Exterior improvements will include replacement of siding, windows, decks, and fencing, along with repainting and landscaping. Interior improvements will include replacement of vinyl flooring, lighting fixtures, old water heaters, kitchen cabinets and countertops, appliances, HVAC units, kitchen and bathroom sinks and fixtures, and hard-wired smoke detectors. A community room will be added through remodeling and enlargement of an existing building. Two housing units will be converted to become fully ADA accessible, and the community building will be modified to become ADA accessible.

Tax-Exempt Bonds and Agency Loan for Southcrest Apartments

Further background on the project developer and the property are included as Attachment 1. Vicinity and location maps are included as Attachments 2 and 3. A project site plan is included as Attachment 4. A project summary, including a proposed sources and uses of funds, a project cash flow, and a schedule of maximum rents and incomes for the project is included as Attachments 5, 6, and 7.

Policy Considerations: The recommended actions are consistent with the Agency's previously approved mortgage revenue bond policy and multifamily lending policy. Regulatory restrictions on the property will be specified in bond and loan regulatory agreements with the Housing Authority and the Agency, respectively. Compliance with the regulatory agreements will be monitored by the Agency on a regular basis.

Environmental Considerations: The proposed action is exempt from environmental review under California Environmental Quality Act (CEQA) Guidelines Sections 15310 and 15301(a) and (d) which exempts bond and loan financing and rehabilitation of existing facilities where the use remains unchanged.

The project consists of the rehabilitation of a multifamily residential complex in which 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 (NEPA) pursuant to 24 CFR Section 58.35(a)(3).

Commission Action: At its October 17, 2007 meeting, the Sacramento Housing and Redevelopment Commission reviewed the staff recommendation for this item. The votes were as follows:

AYES: Chan, Dean, Fowler, Hoag, Otto, Piatkowski, Stivers

NOES: None

ABSENT: Burruss, Coriano, Gore, Shah

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

Financial Considerations: The developer will be responsible for payment of the CDLAC processing fee and posting of a one-half percent performance deposit as required by CDLAC.

The Agency HOME Loan of \$1,500,000 will be made consistent with standard Agency underwriting guidelines. The loan will be made at a four percent simple interest rate. A draft commitment letter is included as Attachment 8.

November 6, 2007

Approval of Issuance of Tax-Exempt Bonds and Agency Loan for Southcrest Apartments

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: 
ANNE M. MOORE
Executive Director

Recommendation Approved:


for RAY KERRIDGE
City Manager

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Southcrest Apartments Project Background Information

The developer, Domus Development, LLC, proposes to acquire and rehabilitate an existing 30-unit affordable multifamily housing project located at 7390 24th Street. The Developer is requesting a \$1,500,000 City Home Investment Partnership (HOME) loan from SHRA and issuance of up to \$3,000,000 in tax-exempt bonds by the Housing Authority. They will also be applying for 4% Low-Income Housing Tax Credits (LIHTC) through the California Tax Credit Allocation Committee.

The site is located in the Meadowview neighborhood within District 8. A vicinity map is included as Attachment 2 and a location map is included as Attachment 3.

Description of Development: The Southcrest Apartments project consists of three two-story buildings and one single-story community building. The community building houses the laundry room, management/leasing office, and maintenance closet. The developer proposes to increase this space to include a community room for resident activities and to re-orient the management/leasing office to face the parking area. The entrances to the building will be modified to become fully ADA accessible.

The residential buildings contain 15 one-bedroom and 15 two-bedroom units. The one-bedroom units are 900 square feet, and two-bedroom units are 1,100 square feet in size. Two units will be modified to be fully ADA accessible. An additional handicap parking stall will be added. Sidewalks will be repaired, and damaged flatwork will be ground or replaced. All windows and sliding glass doors will be replaced with new dual-pane glass. The kitchen improvements will include new countertops and cabinetry, and new appliances as needed. All decks will be rebuilt, and all porch fences will be replaced. A site plan is included as Attachment 4.

All units are rental units and will be affordable to low- and very low-income residents. Rent restrictions will be enforced through regulatory agreements with the Housing Authority and the Agency for a term of 55 years.

Developer: Domus Development, LLC is a developer of affordable rental housing focusing on the acquisition and rehabilitation of existing rental housing communities using tax-exempt bonds and low-income housing tax credits. The principals of Domus have completed rehabilitation and construction of several affordable housing projects in northern California, including Northland Village.

Property Management: Property management will be performed by Domus Management Company, LLC (DMC). DMC was established in 2007 by principals and executives who have extensive experience in affordable housing property

management. The primary manager's experience includes supervision of over 5,500 units of affordable housing including both senior and multifamily projects. The principals have worked with projects financed through a variety of sources, including LIHTC's, the Multi Family Housing Program (MHP), the Home Investment Partnership Program (HOME), the California Department of Housing and Community Development (HCD), and the U.S. Department of Housing and Urban Development (HUD).

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.

Social Services Plan: Social Services will be provided by LifeSTEPS, a nonprofit 501(c)(3) corporation. LifeSTEPS proposes to offer educational and social programs. Educational courses will be offered in areas such as computer learning, internet training, and word processing. LifeSTEPS provides social services at 85 properties throughout the state of California including 11 properties in Sacramento.

Project Financing: The developer has proposed to finance the Southcrest Apartments project using approximately \$1,320,000 in tax credit equity, \$1,170,000 in bond financing, the \$1,500,000 HOME loan through the Agency, and \$125,000 in deferred developer fee. The total developer fee comprises less than 11 percent of total project costs, rather than the 15 percent allowed under the California Debt Limit Allocation Committee (CDLAC) guidelines.

Subject to approval of the Agency HOME loan, the developer will be applying for tax-exempt bonds and tax credits. The developer has requested that a portion of the Agency loan be available in advance of the award of these other funds. The developer is requesting that \$400,000 of the total loan amount be used for the acquisition of the property by December 2007. The seller entertained offers from other buyers who intended to move the project to market-rate, but the seller agreed to enter into a purchase contract with this developer and to renew the HAP contract in October on the condition that the developer would purchase the property in December 2007. The remaining loan amount of \$1,100,000 will be available for disbursement after the Developer has received its allocations of bond and tax credits in early 2008.

Low-income Set-aside Requirements: The developer proposes to set aside all 30 units as affordable multi family housing. The project has an existing project-based voucher with the Department of Housing and Urban Development (HUD) that must be renewed annually. The developer, Domus Development, LLC seeks to preserve this property as an affordable housing project by securing a Housing Assistance Payment (HAP) contract that would ensure affordability for residents over a 20 year period. The HAP contract, if approved, will require all of the 30

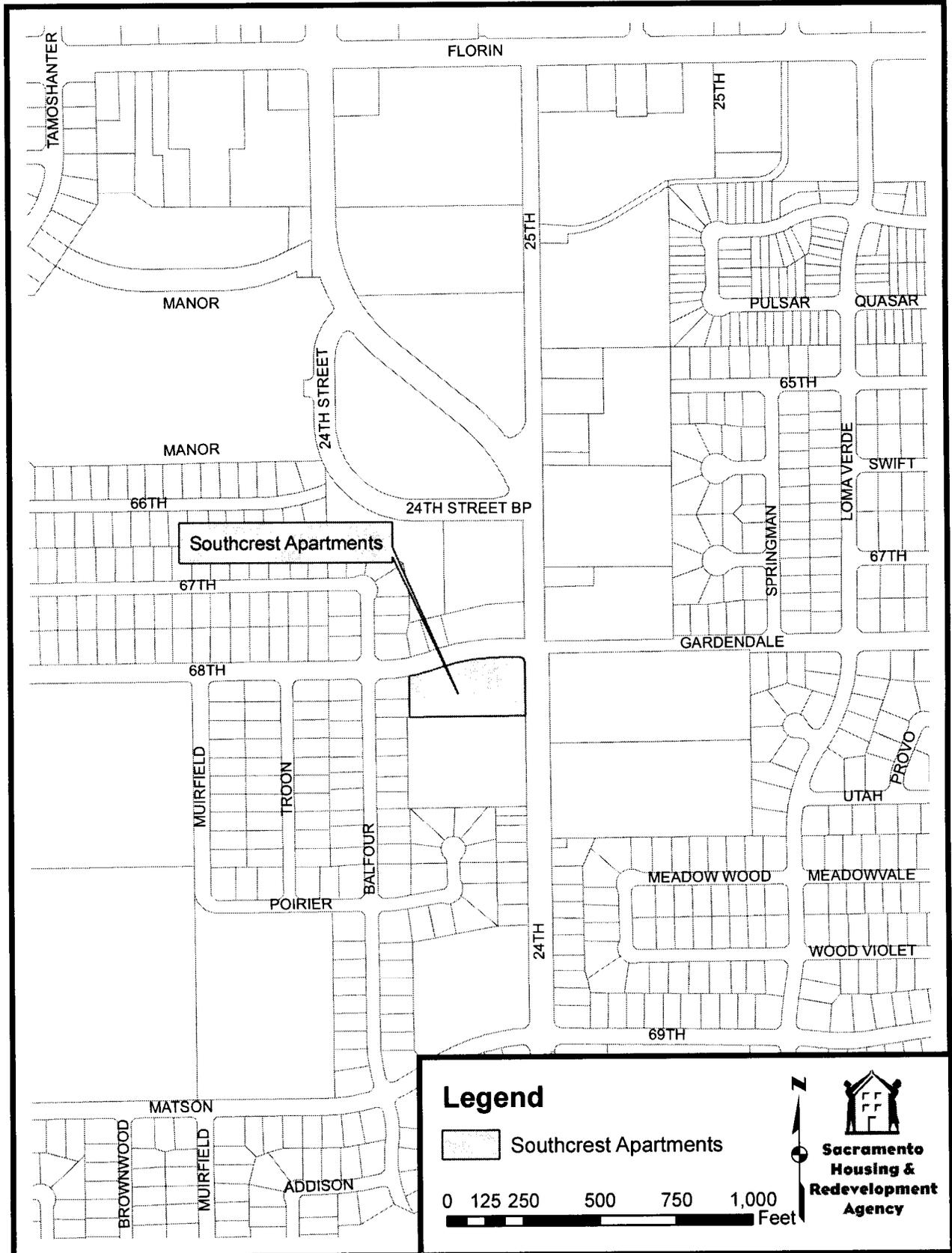
units to be affordable to households at 50 percent of the Area Median Income (AMI) for a period of 20 years.

Southcrest Apartments will have 11 units assisted by the HOME loan and subject to HOME restrictions. Three of the HOME-assisted units will be affordable to households at 50 percent AMI, while the remaining eight units will be affordable to households at 60 percent AMI. Regulatory agreements will maintain the affordability for 55 years.

As a condition of receiving the benefits of below-market rate loans and grants, federal law requires that project units be set aside for targeted income groups. The following chart summarizes the proposed affordability restrictions for the project:

Funding	% of Units	Affordability Restrictions	No. Units	Regulatory Requirements
Mortgage Revenue Bonds	20%	Very Low-Income (50% AMI)	6	55 years
Low-Income Housing Tax Credits	80%	Low-Income (60% AMI)	24	55 years
Agency HOME Loan				
Total	100%		30	

Southcrest Apartments Location Map



Southcrest Apartments

Address	7390 24th Street, Sacramento		
Number of Units	30		
Year Built	Acquisition/Rehabilitation		
Acreage	1.60 acres		
Affordability	6 units (20%) at or below 50% of median income 24 units (80%) at or below 60% of median income		
Unit Mix and Rents		(50% AMI)	(60% AMI)
1 Bedroom		3	12
2 Bedroom		3	12
Total		6	24
Unit Square Footage	1 Bedroom	16,500 square feet at 1,100 sq. ft. per unit	
	2 Bedroom	13,500 square feet at 900 sq. ft. per unit	
	Total	30,600 square feet, including 600 sq. ft. in community space	
Resident Facilities	The site will include a community space, laundry room, leasing office, mailbox area, and utility closet.		
Permanent Sources	<i>Total</i>	<i>Per Unit</i>	<i>Per Square Foot</i>
Tax Credit Equity	\$ 1,320,000	\$ 44,000	\$ 44.00
SHRA Loan	\$ 1,500,000	\$ 50,000	\$ 50.00
Tax-Exempt Bonds	\$ 1,170,000	\$ 39,000	\$ 39.00
Deferred Developer Fee	\$ 125,000	\$ 4,167	\$ 4.17
TOTAL SOURCES	\$ 4,115,000	\$ 137,167	137.17
Permanent Uses			
Acquisition Costs	\$ 1,880,000	\$ 62,667	\$ 62.67
Construction Costs	\$ 1,061,000	\$ 35,367	\$ 35.37
Architecture and Engineering	\$ 124,000	\$ 4,133	\$ 4.13
Governmental Fees	\$ 10,000	\$ 333	\$ 0.33
Financing Costs	\$ 440,000	\$ 14,667	\$ 14.67
Property Taxes and Assessments	\$ 6,000	\$ 200	\$ 0.20
Reports, Survey, Title, Escrow, Legal	\$ 155,000	\$ 5,167	\$ 5.17
Developer Fee	\$ 439,000	\$ 14,633	\$ 14.63
TOTAL USES	\$ 4,115,000	\$ 137,167	\$ 137.17
Management / Operations	Proposed Developer:	Domus Development LLC	
	Property Management Company:	Domus Management Company, LLC (DMC)	
	Operations Budget:	\$114,500	\$3,817
	Replacement Reserves:	\$9,000	\$300

Southcrest Apartments
Project Cash Flow Proforma

Unit Type	Number	Square Feet	Total Sq Feet	Gross Rent	Utility Allowance	Net Rent	Actual Rent	Rent per Sq Foot	Total Mo. Rent	Annual Rent	Year 20	Year 25	Year 30	Year 33
1 BD / 1 BA @ 50% AMI	3	900	2,700	\$ 630	\$ 42	\$ 588	\$ 588	\$ 0.65	\$ 1,764	\$ 21,168	402,304	455,170	514,983	554,580
1 BD / 1 BA @ 60% AMI	12	900	10,800	\$ 756	\$ 42	\$ 714	\$ 714	\$ 0.79	\$ 8,568	\$ 102,816	11,568	13,088	14,808	15,946
2 BD / 1 BA @ 50% AMI	3	1,100	3,300	\$ 756	\$ 55	\$ 701	\$ 701	\$ 0.64	\$ 2,103	\$ 25,236	2,014	2,279	2,578	2,777
2 BD / 1 BA @ 60% AMI	11	1,100	12,100	\$ 907	\$ 55	\$ 852	\$ 776	\$ 0.71	\$ 8,536	\$ 102,432	(20,794)	(23,527)	(26,618)	(28,665)
Manager's Units	1	1,100	1,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$395,091	\$447,010	\$505,750	\$544,638
Totals	30	30,000	30,000	\$ 2,086	\$ 203	\$ 1,883	\$ 1,883	\$ 0.63	\$ 20,971	\$ 251,652	\$133,475	\$137,980	\$140,410	\$140,556
Income	rate	annual increase	per unit	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30	Year 33
Potential Gross Income	2.50%			\$ 251,652	\$ 257,943	\$ 264,392	\$ 271,002	\$ 277,777	\$ 314,279	\$ 355,578	\$ 402,304	\$ 455,170	\$ 514,983	\$ 554,580
Excess HAP Income	2.50%			\$ 7,236	\$ 7,417	\$ 7,602	\$ 7,792	\$ 7,987	\$ 9,037	\$ 10,224	\$ 11,568	\$ 13,088	\$ 14,808	\$ 15,946
Other Income	2.50%			\$ 1,260	\$ 1,292	\$ 1,324	\$ 1,357	\$ 1,391	\$ 1,574	\$ 1,780	\$ 2,014	\$ 2,279	\$ 2,578	\$ 2,777
Less Vacancy	5.00%			(13,007)	(13,333)	(13,666)	(14,008)	(14,358)	(16,244)	(18,379)	(20,794)	(23,527)	(26,618)	(28,665)
Effective Gross Income				\$ 247,141	\$ 253,319	\$ 259,652	\$ 266,143	\$ 272,797	\$ 308,645	\$ 349,203	\$ 395,091	\$ 447,010	\$ 505,750	\$ 544,638
Operating Expenses														
Operating Expenses	3.50%		\$ 3,817	\$ 114,500	\$ 118,508	\$ 122,655	\$ 126,948	\$ 131,391	\$ 156,052	\$ 185,341	\$ 220,126	\$ 261,441	\$ 310,510	\$ 344,268
Assessments	3.50%		\$ 83	\$ 2,500	\$ 2,588	\$ 2,678	\$ 2,772	\$ 2,869	\$ 3,407	\$ 4,047	\$ 4,806	\$ 5,708	\$ 6,780	\$ 7,517
Property Management	3.50%		\$ 480	\$ 14,400	\$ 14,904	\$ 15,426	\$ 15,966	\$ 16,524	\$ 19,626	\$ 23,309	\$ 27,684	\$ 32,880	\$ 39,051	\$ 43,297
Replacement Reserves			\$ 300	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000
Total Expenses			\$ 4,680	\$ 140,400	\$ 144,999	\$ 149,759	\$ 154,686	\$ 159,785	\$ 188,085	\$ 221,696	\$ 261,617	\$ 309,029	\$ 365,341	\$ 404,081
Net Operating Income				\$106,741	\$108,320	\$109,893	\$111,458	\$113,012	\$120,560	\$127,507	\$133,475	\$137,980	\$140,410	\$140,556
Debt Service	amount	rate	amort											
Bank Loan A	\$1,100,000	6.00%	30	\$ 79,141	\$ 79,141	\$ 79,141	\$ 79,141	\$ 79,141	\$ 79,141	\$ 79,141	\$ 79,141	\$ 79,141	\$ 79,141	\$ 79,141
Bank Loan B (Excess HAP)	\$70,000	6.00%	20	\$ 6,018	\$ 6,018	\$ 6,018	\$ 6,018	\$ 6,018	\$ 6,018	\$ 6,018	\$ 6,018	\$ 6,018	\$ 6,018	\$ 6,018
HA Monitoring Fee	\$2,100,000	0.15%		\$ 3,150	\$ 3,150	\$ 3,150	\$ 3,150	\$ 3,150	\$ 3,150	\$ 3,150	\$ 3,150	\$ 3,150	\$ 3,150	\$ 3,150
Debt Service Subtotal				\$88,309	\$88,309	\$88,309	\$88,309	\$88,309	\$88,309	\$88,309	\$88,309	\$88,309	\$88,291	\$82,294
DCR on Senior Bonds				1.21	1.23	1.24	1.26	1.28	1.37	1.44	1.51	1.68	1.71	1.71
Other Operating Expenses														
Social Services	2.00%			\$ 6,000	\$ 6,120	\$ 6,242	\$ 6,367	\$ 6,495	\$ 7,171	\$ 7,917	\$ 8,741	\$ 9,651	\$ 10,655	\$ 11,307
PILOT Fee	2.00%			\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800
Other Operating Expenses Subtotal				\$9,800	\$9,920	\$10,042	\$10,167	\$10,295	\$10,971	\$11,717	\$12,541	\$13,451	\$14,455	\$15,107
Modified NOI for DCR Calculation				\$96,941	\$98,400	\$99,851	\$101,291	\$102,718	\$109,589	\$115,790	\$120,934	\$124,530	\$125,955	\$125,449
Priority Distributions														
Asset Management Fee (GP)	2.00%			\$ 5,000	\$ 5,100	\$ 5,202	\$ 5,306	\$ 5,412	\$ 5,975	\$ 6,597	\$ 7,284	\$ 8,042	\$ 8,879	\$ 9,423
Partnership Management Fee (LP)	2.00%			\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Priority Distributions Subtotal				\$ 5,000	\$ 5,100	\$ 5,202	\$ 5,306	\$ 5,412	\$ 5,975	\$ 6,597	\$ 7,284	\$ 8,042	\$ 8,879	\$ 9,423
Net Cash after Priority Distributions				\$3,632	\$4,991	\$6,340	\$7,676	\$8,997	\$15,305	\$20,884	\$25,341	\$34,197	\$34,785	\$33,733
Deferred Developer Fee														
Principal Balance	\$125,000	4.00%		\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 122,361	\$ 86,770	\$ 10,673	\$ 0	\$ 0	\$ 0	\$ 0
Interest for Period				\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 4,894	\$ 3,471	\$ 427	\$ 0	\$ 0	\$ 0	\$ 0
Accumulated Interest				\$ 5,000	\$ 6,368	\$ 8,377	\$ 11,037	\$ 14,931	\$ 20,402	\$ 27,573	\$ 36,603	\$ 47,735	\$ 60,104	\$ 74,977
Payment				\$ 3,632	\$ 4,991	\$ 6,340	\$ 7,676	\$ 8,997	\$ 15,305	\$ 21,100	\$ 27,573	\$ 34,785	\$ 42,679	\$ 51,402
Balance				\$126,368	\$126,377	\$125,037	\$122,361	\$118,258	\$74,935	\$0	\$0	\$0	\$0	\$0
Net Cash after Deferred Developer Fee				\$0	\$0	\$0	\$0	\$0	\$0	\$9,784	\$25,341	\$34,197	\$34,785	\$33,733
SHRA HOME loan														
Principal Balance	\$1,500,000	4.00%		\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
Interest for Period				\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000
Accumulated Interest				\$ 60,000	\$ 120,000	\$ 180,000	\$ 240,000	\$ 300,000	\$ 360,000	\$ 420,000	\$ 480,000	\$ 540,000	\$ 600,000	\$ 660,000
Payment				\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,183	\$ 12,469	\$ 17,484	\$ 22,671	\$ 28,619
Balance				\$1,560,000	\$1,620,000	\$1,680,000	\$1,740,000	\$1,800,000	\$2,100,000	\$2,391,817	\$2,637,616	\$2,835,578	\$3,023,752	\$3,206,619
Combined Debt Coverage Ratio						1.13	1.15	1.16	1.24	1.20	1.20	1.20	1.20	0.04
Net Cash After HOME Loan Repayment				\$0	\$0	\$0	\$0	\$0	\$0	\$1,601	\$12,872	\$12,713	\$12,113	(\$3,124,886)

MAXIMUM RENT AND INCOME LEVELS

Mortgage Revenue Bond Program
(Rents @ 50% of AMI)

Maximum Income Limits:	
	50% AMI
<u>Family Size</u>	<u>Max. Income</u>
1 person	\$ 23,500
2 person	\$ 26,900
3 person	\$ 30,250
4 person	\$ 33,600
5 person	\$ 36,300

Maximum Rent Limits:	
<u>Unit Size</u>	<u>Gross Rent</u>
1 Bedroom	\$ 672
2 Bedroom	\$ 756

4% Low-Income Housing Tax Credit Program
(Rents @ 50% and 60% of AMI)

Maximum Income Limits:		
	50% AMI	60% AMI
<u>Family Size</u>	<u>Max. Income</u>	<u>Max. Income</u>
1 person	\$ 23,500	\$ 28,200
2 person	\$ 26,900	\$ 32,280
3 person	\$ 30,250	\$ 36,300
4 person	\$ 33,600	\$ 40,320
5 person	\$ 36,300	\$ 43,560

Maximum Rent Limits:		
<u>Unit Size</u>	<u>Gross Rent</u>	<u>Gross Rent</u>
1 Bedroom	\$ 630	\$ 756
2 Bedroom	\$ 756	\$ 907

HOME Program

(Rents @ 50% and 60% of AMI)

Maximum Income Limits:		
	50% AMI	60% AMI
<u>Family Size</u>	<u>Max. Income</u>	<u>Max. Income</u>
1 person	\$ 23,500	\$ 28,200
2 person	\$ 26,900	\$ 32,280
3 person	\$ 30,250	\$ 36,300
4 person	\$ 33,600	\$ 40,320
5 person	\$ 36,300	\$ 43,560

Maximum Rent Limits:		
<u>Unit Size</u>	<u>Gross Rent</u>	<u>Gross Rent</u>
1 Bedroom	\$ 630	\$ 756
2 Bedroom	\$ 756	\$ 907

October 17, 2007

Meea Kang
Domus Development, LLC
594 Howard Street, Suite 204
San Francisco, CA 94105

RE: Conditional Funding Commitment, Southcrest Apartments

Dear Ms. Kang,

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") from the City Home Investment Partnership (HOME) Program for the purpose of financing the development of that certain real property located at 7390 24th Street, Sacramento, California ("Property"). Agency's decision is based on your application, and all representations and information supplied by you to it. If these representations and information change in a material manner without written approval of Agency, this commitment is void. Agency's obligation to make the Loan is subject to satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

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

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

This commitment is subject to approval by the Sacramento City Council.

This commitment will expire on October 1, 2008.

1. PROJECT DESCRIPTION: The project is the acquisition and rehabilitation of a 30-unit multi-family apartment complex located at 7390 24th Street, at assessor's parcel number 047-0014-014. At least six (6) units will be affordable to families earning less than 50 percent of the area median income and all of the remaining units will be affordable to families earning less than 60 percent of the area median income. At least eleven (11) units will be HOME-assisted units and subject to HOME restrictions.

2. BORROWER: The name of the Borrower for the Loan is Southcrest Apartments Associates, LP, or a limited partnership to be formed by Domus Development, LLC.
3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely to pay the costs of acquisition, construction, and permanent financing, or for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, and such other agreements as may be generally required by the Agency for the use of the funding source for the Loan.
4. PRINCIPAL AMOUNT: The combined principal amount of the Loan will be the lesser of (a) One Million Five Hundred Thousand Dollars (\$1,500,000), or (b) an amount to be determined prior to close of the Loan based on a project budget approved by Agency. However, the combined indebtedness of the Property must not exceed ninety percent of the appraised value.

Subject to the conditions in “Other Financing” (Item 14), an amount not to exceed Four Hundred Thousand Dollars (\$400,000) may be disbursed from the Loan for the acquisition of the property by the Borrower in advance of the closing on the senior bond financing.

5. TERM OF LOAN: The Loan shall mature 33 years from the date of the first disbursement.
6. INTEREST RATE: The Loan shall bear simple interest at Four Percent (4%) per annum. Interest shall be calculated on the basis of a 365-day year and actual days elapsed.
7. AMORTIZATION: Loan shall amortize as permitted by monthly payments.
8. MONTHLY PAYMENT: Monthly payments are based on the anticipated income from HAP rents upon renewal of the HAP contract. Payments shall be applied first to outstanding interest accrued and unpaid and then to principal. Interest and principal payments shall be deferred from the date of the loan for the first 168 months. Beginning in month 169, monthly installments shall be made according to the following schedule:

Months 169-180	\$ 682 monthly
Months 181-192	\$ 760 monthly
Months 193-204	\$ 835 monthly
Months 205-216	\$ 907 monthly
Months 217-228	\$ 975 monthly
Months 229-240	\$ 1,039 monthly
Months 241-252	\$ 1,600 monthly
Months 253-264	\$ 1,656 monthly
Months 265-276	\$ 1,706 monthly
Months 277-288	\$ 1,751 monthly
Months 289-300	\$ 1,790 monthly
Months 301-312	\$ 1,824 monthly
Months 313-324	\$ 1,851 monthly

Months 325-336	\$ 1,871 monthly
Months 337-348	\$ 1,884 monthly
Months 349-360	\$ 1,889 monthly
Months 361-372	\$ 1,886 monthly
Months 373-384	\$ 1,875 monthly
Months 385-396	\$ 1,854 monthly
Month 397	All outstanding principal and interest due and payable

In the event that the Housing Assistance Payment contract is not renewed after approximately 20 years, the monthly payment schedule will be as follows:

Months 241-252	\$ 818 monthly
Months 253-264	\$ 854 monthly
Months 265-276	\$ 884 monthly
Months 277-288	\$ 909 monthly
Months 289-300	\$ 927 monthly
Months 301-312	\$ 939 monthly
Months 313-324	\$ 944 monthly
Months 325-336	\$ 941 monthly
Months 337-348	\$ 931 monthly
Months 349-360	\$ 912 monthly
Months 361-372	\$ 885 monthly
Months 373-384	\$ 848 monthly
Months 385-396	\$ 802 monthly
Month 397	All outstanding principal and interest due and payable

9. 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: \$1,500,000 City Home Investment Partnership Program. 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)

10. ACCELERATION: Agency shall have the right to accelerate repayment of the Loan in the event of a default under any Loan Document or upon sale, transfer or alienation of the Property except as specifically provided for in the Loan documents.
11. SECURITY: The Loan shall be evidenced by promissory note(s) secured by a deed of trust with assignment of rents against the fee and/or leasehold interest in the Property and Improvements, which shall be a second lien upon the Property and Improvements subject only to senior bond 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 rehabilitation of the Property.
12. LEASE AND RENTAL SCHEDULE: All leases of the Property and Improvements shall be subject to Agency's approval prior to execution. Borrower shall not deviate from the rental schedule presented in Borrower's application for the Loan without Agency's prior written approval.
13. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$1,200,000 in Low Income Housing Tax Credit Equity and no less than \$125,000 in deferred developer fee.
14. OTHER FINANCING: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:
 - (a) As a condition precedent to disbursement of acquisition financing in an amount not to exceed \$400,000, interim financing from a private lender(s) in an amount sufficient to complete acquisition of the property and for a term not less than the time necessary to fulfill all conditions precedent to funding of the construction financing;
 - (b) 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.

(c) Commitments for permanent financing sufficient to “take out” all liens senior to the Agency’s lien.

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

(e) 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 reasonable discretion; and c) Agency’s contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.
16. **SOILS AND TOXIC REPORTS**: Borrower must submit to Agency 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.
17. **LOAN IN BALANCE**: Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders are sufficient, in the sole judgment of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency. Should the Agency determine that the Loan is not "in balance", the Agency may declare the Loan to be in default.
18. **PLANS AND SPECIFICATIONS**: Final plans and specifications for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the disbursal of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the project.

19. ARCHITECTURAL AGREEMENT: The architectural agreement ("Agreement") for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
20. 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.
21. RETENTION AMOUNT: The Agency shall retain ten percent (10%) as retention from each disbursement, not to exceed a total of ten percent (10%) of the total amount of the Loan.
22. COST BREAKDOWN: Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, which breakdown conforms to the project plans and specification and the budget approved with this commitment. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

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

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

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

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

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 December 31, 2008.
25. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than December 31, 2010.
26. 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).
27. 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 \$5,000,000 Aggregate, Products and Completed Operations; Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single limit and \$5,000,000 aggregate; Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$5,000,000 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.
28. 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 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.

29. 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.
30. PURCHASE OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.
31. 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.
32. 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.
33. LOW INCOME HOUSING TAX CREDITS("LIHTC"): Borrower represents that as a condition of closing this Loan it is applying for an allocation of LIHTCs and agrees to perform all actions and to meet all requirements to maintain the LIHTC allocation if granted.
34. SECURITY AND LIGHTING: Project shall include a security camera system approved by the Agency and lighting adequate to properly illuminate the parking area and all common spaces
35. SOCIAL SERVICES PLAN: Borrower shall provide Agency with a detailed social services plan including, but not limited to, the following information: 1) identification of all entities responsible for providing social services to Project tenants and each entity's role in the provision of those services; 2) the number of hours per week that services will be provided; 3) a description of the programs to be offered, and; 4) a proforma social services budget.

36. DOCUMENTATION: This letter is not intended to describe all of the requirements, terms, conditions and documents for the Loan, which shall also include customary provisions and documents for an Agency transaction of this type. All documents to be delivered to or approved by Agency must be satisfactory to Agency in all respects. Borrower must promptly deliver to Agency any further documentation that may be required by Agency.
37. CONSISTENCY OF DOCUMENTS: As a material obligation under this commitment letter, Borrower shall assure that the loan documents for the Project are consistent with lender's commitment approved by the Agency and comply, in all respects, with this commitment letter.
38. CHANGES OR AMENDMENTS: No documents or contracts which are to be delivered to Agency or are subject to Agency's review or approval shall be modified or terminated without the prior written approval of Agency.
39. ACCEPTANCE OF THIS COMMITMENT: Borrower's acceptance of this Commitment shall be evidenced by signing and delivering to Agency the enclosed copy of this letter. Until receipt of such acceptance by Agency, Agency shall have no obligation under this letter. Agency may withdraw this commitment at any time prior to Borrower's acceptance.

Yours truly,

Anne M. Moore
Executive Director

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

Dated:

BORROWER:

By: _____
Meea Kang

RESOLUTION NO. 2007 -

Adopted by the Housing Authority of the City of Sacramento

on date of

RESOLUTION 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 "Issuer") intends to issue tax-exempt obligations in a principal amount not to exceed \$3,000,000 (the "Obligations") for the purpose, among other things, of making a loan to Southcrest Apartments Associates LP, a California limited partnership, or a California limited liability company or other limited partnership to be formed by Domus Development LLC (the "Developer"), the proceeds of which shall be used by the Developer to finance the acquisition and rehabilitation of a 30-unit multifamily housing facility located at 7390 24th Street, Sacramento, California and commonly known as the Southcrest Apartments (the "Project");
- B. United States Income Tax Regulations Section 1.103-18 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 and rehabilitation 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 and rehabilitation

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 to be used for reimbursement of expenditures for the acquisition and rehabilitation of the Project that are paid before the date of initial execution and delivery of the Obligations is not to exceed \$3,000,000.

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 and rehabilitation 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 staff of the Authority 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 and rehabilitation 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 or operation of the Project.

Section 8. This resolution shall take effect immediately upon its adoption.

RESOLUTION NO. 2007 -

ADOPTED BY THE SACRAMENTO CITY COUNCIL

on date of

**SOUTHCREST APARTMENTS: APPROVAL OF UP TO \$1,500,000
DEVELOPMENT LOAN; EXECUTION OF LOAN COMMITMENT, LOAN
AGREEMENT, AND RELATED DOCUMENTS WITH SOUTHCREST
APARTMENTS ASSOCIATES, L.P., A CALIFORNIA LIMITED PARTNERSHIP,
OR RELATED ENTITY; RELATED BUDGET AMENDMENT**

BACKGROUND

- A. Southcrest Apartments Associates, L.P. has requested allocation of One Million Five Hundred Thousand Dollars (\$1,500,000) from the City Home Investment Partnership ("HOME") Program to the Southcrest Apartments project to assist in funding the acquisition and development of a 30 unit multifamily housing project that will include six very low income and 23 low income units.
- B. The Southcrest Apartments project qualifies for HOME funding under the applicable HUD regulations.

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

- Section 1. All of the evidence presented having duly considered, the findings, including the environmental findings regarding this action are approved.
- Section 2. The Sacramento Housing and Redevelopment Agency ("Agency") is authorized to amend the Agency Budget to transfer up to \$1,500,000 from the HOME Program to the Southcrest Apartments project.
- Section 3. The Loan Commitment, attached to and incorporated in this resolution by this reference, for financing the Southcrest Apartments project with HOME Program funds in the amount of up to \$1,500,000 is approved and the Agency is authorized to execute and transmit the Loan Commitment to Southcrest Apartments Associates L.P., or related entity.

Section 4. Subject to the satisfaction of conditions in the Loan Commitment, the Agency is authorized to prepare and execute all Loan documents required for making of the \$1,500,000 Loan for a term of 33 years, with an interest rate of 4% (simple), and a loan repayment deferral until the beginning of the 4th year with Southcrest Apartments Associates L.P. or related entity to fund the acquisition and construction of the Southcrest Apartments.

Section 5. The Agency is authorized to enter into and 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 the Agency funds including without limitation, subordination, extensions and restructuring of payments, all as approved by Agency Counsel.

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

RESOLUTION NO. 2007 -

ADOPTED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO

on date of

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SACRAMENTO APPROVING THE ISSUANCE OF TAX-EXEMPT OBLIGATIONS AND DIRECTING CERTAIN ACTIONS

BACKGROUND

- A. The Housing Authority of the City of Sacramento (the "Issuer") intends to issue tax-exempt obligations in an principal amount not to exceed \$3,000,000 (the "Obligations") for the purpose, among other things, of making a loan to Southcrest Apartments Associates LP, a California limited partnership, or a California limited liability company or other limited partnership to be formed by Domus Development LLC ("Developer"), the proceeds of which shall be used by the Developer to finance the acquisition and rehabilitation of a 30-unit multifamily housing facility located at 7390 24th Street, Sacramento, California and commonly known as Southcrest Apartments (the "Project"); and
- B. The Issuer is authorized by Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California to issue and sell revenue bonds for the purpose of financing the acquisition, rehabilitation and development of multifamily rental housing facilities to be occupied in part by low and/or very low income tenants; and
- C. In order for the Obligations to be considered "qualified exempt facility bonds" under Section 142(a) of the Internal Revenue Code of 1986, as amended (the "Code"), Section 147(f) of the Code requires that the "applicable elected representatives" of the area in which the Project is to be located hold a public hearing on and approve the issuance of the Obligations; and
- D. This City Council is the elected legislative body of the City; and
- E. A notice of public hearing in a newspaper of general circulation in the City has been published, to the effect that a public hearing would be held by this City Council regarding the issuance of the Obligations by the Issuer and the nature and location of the Project; and
- F. This City Council held said public hearing on the published date, at which time an opportunity was provided to present arguments both for and

against the issuance of such Bonds and the nature and location of the Project; and

- G. It is in the public interest and for the public benefit that the City approve the issuance and delivery of the Obligations for the purpose of financing the acquisition and rehabilitation of the Project;
- H. The City shall not have any liability for the repayment of the Obligations or any responsibility for the Project;

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

- Section 1. The City hereby finds and determines that the foregoing recitals are true and correct.
- Section 2. Solely for the purpose of fulfilling the requirement of Section 147(f) of the Code, the City hereby approves the issuance and delivery of the Obligations.
- Section 3. This resolution shall take effect immediately upon its adoption.

