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Southwood Townhomes
Sales Program for Qualified Low and Moderate Income Tenants

The following Executive Summary outlines the basic provisions contained in the Sales Program portion of the Condominium Conversion ordinance. Attached to the Executive Summary is a copy of the relevant provisions of Chapter 17.192 of the Sacramento City Code in order to provide further detail as required.

Executive Summary

• **Who Qualifies?**

Tenants who qualify for assistance under this provision must first be deemed an "Eligible Tenant". An "Eligible Tenant" as defined by the ordinance "means any tenant who was a resident of the project proposed for conversion on the date notice of intent to convert is given, pursuant to Section 17.192.050(B) of this chapter and on the date of approval of the special permit and tentative map for the condominium conversion". All tenants who meet the criteria must also meet the criteria for "Qualified Low and Moderate Income Tenants". The US Department of Housing and Urban Development defines "Low Income" as being less than 80% of the median income in the Sacramento area. "Moderate Income" is defined as 81% to 110% of the Median Income in the Sacramento area. The Median Income level in the Sacramento area for 2007 is \$67,200. Therefore, to qualify as "Low Income" a qualified tenant must make \$53,760 or less while a qualified "Moderate Income" tenant must make between \$53,761 and \$80,640. All tenants who meet these requirements must have also filled out the questionnaire provided by the City and been notified by the City that they are eligible for the program.

• **Pricing**

The price of the units to be offered for sale to qualified low and moderate income tenants shall be determined by calculating the sale price based on a monthly mortgage payment (including property taxes, insurance, home owners association dues and utilities) of not more than 35% of the qualified tenants monthly income. Also, Southwood Townhomes is required to provide Qualified Tenants whose assets are less than \$5,000 with an amount not to exceed \$2,000 to help cover down payment and closing costs. The following assumes a 10% down payment at 7.5% interest amortized over 30 years.

FOR EXAMPLE

Moderate Income

Tenants Monthly Income - \$5,000 (\$60,000 per year)

Total Monthly Payment @ 35% - \$1,750

Sales Price - \$160,000

Low Income

Tenants Monthly Income - \$3,500 (\$42,000 per year)

Total Monthly Payments @ 35% - \$1,225

Sales Price - \$100,000

However, the minimum sales price shall not be less than the currently appraised apartment market value of the unit. Based on a recent appraisal of the property (January 2007) the apartment value on a per unit basis is \$147,000. Because these sales prices will be well below the market sales prices of the other units the Seller will carry a second deed of trust for the difference in the sales prices. The second deed of trust will accrue interest at a rate of 5% per year and will be due and payable when the Qualified Tenant re-sells the unit.

FOR EXAMPLE

Minimum Low & Moderate Income Sales Price - \$147,000

Estimated Market Sales Price 2/BR Unit - \$269,000

Second Trust Deed in favor of Seller - \$122,000

- **Timing**

Upon approval of the Special Permit, Southwood Townhomes has ten (10) days to notify qualified tenants of the final approval of the project and to make all Qualified Tenants an offer to purchase their unit based on the formula noted above. Once the offer has made to a Qualified Tenant the tenant has ninety (90) days to qualify and secure the appropriate financing to purchase the unit. Should the Qualified Tenant fail to secure financing or simply choose not to purchase the unit then the ownership will have no further obligation to offer the unit for sale under low and moderate income sales program.

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Attachment to Executive Summary

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Sale Program for Qualified Low and Moderate Income Tenants

Sacramento City Code

Section 17.192.050(F):

1. Purpose of the Program. The primary purpose of the sales and lease program is to mitigate the special impact a conversion project has on the low and moderate income tenants living in the project before conversion. This special impact is the result of the conversion project displacing these tenants while at the same time reducing the number of rental housing units in the market. The displaced low and moderate income tenants are more severely affected than other tenants and other individuals because of their inability, in most cases, to purchase the converted unit, their resulting immediate need to find replacement housing, and their lesser financial ability to compete for the remaining available rental units in the market. The proposed sales and lease program addresses the problem by providing ownership opportunities for low and moderate income tenants, thereby taking those tenants out of the rental market along with the converted unit.

2. Program. Southwood Townhomes, the applicant, will offer for sale to all qualified low and moderate income tenants the unit in which each tenant resides at the time the special permit for the conversion project is approved, or a comparable unit within the project, at a price which is affordable to the tenant. A "comparable unit" shall be a unit with the same floor plan, same amount of floor area (as measured in square feet) and the same amenities as the unit in which the tenant resides at the time the special permit is approved. The offer shall be made before or concurrent with the grant of the exclusive right to contract for the purchase of the unit provided for in Section 66427.1(d) of the Government Code and shall remain open for ninety (90) days.

3. Definition—Qualified Low or Moderate Tenant. A qualified low or moderate income tenant shall be a tenant who meets all of the following requirements:

a. The tenant is an eligible tenant.

b. The tenant has an income of one hundred ten (110) percent or less of the median income as established annually by the U.S. Department of Housing and Urban Development for the Standard Metropolitan Statistical Area in which the proposed conversion project is located, adjusted for the number of members in the tenant's household.

- c. The tenant does not, at the time notice of intent to convert is given by the applicant and at the time the offer is made, own any residential real property.
- d. The tenant has not previously received assistance under this subsection F.
- e. The monthly payments of principal, interest, loan insurance fees, property taxes and assessments, fire and casualty insurance, property maintenance and repairs, utilities (excluding telephone service), and homeowner association fees and assessments associated with the unit if it were to be sold without restrictions would exceed thirty-five (35) percent of the tenant's monthly income.
- f. The tenant's assets are not greater than the total of the amount necessary to pay the estimated closing costs and down payment on the unit, the amount necessary to pay six months of the monthly payments identified in subsection (F)(3)(e) of this section, and five thousand dollars (\$5,000.00).
- g. The tenant has provided the city with the information requested under subsection (F)(7) of this section within the specified time, and has supported the information provided with an affidavit or declaration to its truth and accuracy.
- h. "Assets" means the value of the tenant's savings and any equity in stocks, bonds, real property, or other forms of capital investment. "Assets" do not include items reasonably necessary for the personal use of the tenant, such as personal effects, furniture, appliances and automobiles.
- i. References to the qualified tenant's assets and income shall include the assets and income of those persons eighteen (18) years of age and older who are living with the tenant as a single housekeeping unit.

4. Definitions—Price.

- a. A price which is "affordable to the tenant" shall be the maximum at which the tenant can qualify for financing for the unit for a minimum of thirty (30) years and for which the total monthly housing costs described in subsection (F)(3)(e) of this section would not exceed thirty-five (35) percent of the tenant's monthly income; provided, that in no event shall the applicant be required to sell the unit under this sales program at a price below the apartment market value of the unit at the time the application for a special permit under this section is filed.
- b. "Apartment market value" shall be the value of the unit as an apartment and shall be determined by either a single appraisal or, at the option of Southwood Townhomes, by averaging the results of two independent appraisals. The appraisal(s) were submitted to the planning director on... , which is not less than thirty (30) days prior to the first public hearing on the special permit. The appraisal(s) were made by appraiser(s) selected randomly by the planning director from a pool of names of no less than five qualified appraisers. A "qualified appraiser" shall be an appraiser experienced in appraising multiple-family residential property and who is an active MAI member in good standing of the American Institute of Real Estate Appraisers, an active SREA or SRPA member in good standing of the Society of Real Estate Appraisers, an active ASA (urban real estate) member in good standing of the American Society of Appraisers, or a similarly qualified appraiser in good standing in a nationally recognized real estate appraisal institute or society. The names of qualified appraisers for the pool shall be selected by the city manager or his or her designee. The value determined by the appraisal(s) shall be binding on the city and the applicant. The applicant shall pay the fee(s) of the appraiser(s).
- c. If, at the time the offer for sale at an affordable price is made under this subsection, the assets of the qualified tenant, as defined in subsection (F)(3)(h) of this section, are not sufficient to cover the down payment and closing costs on the unit required by the financing institution to qualify for financing on the unit, Southwood Townhomes shall pay all or a portion of the down payment and

closing costs, as necessary, in an amount not to exceed two thousand dollars (\$2,000.00). The amount paid by the applicant under this subsection shall be added to the amount secured by the second deed of trust on the unit under subsection (F)(6) of this section.

5. The qualified tenant shall have ninety (90) days from the date the offer is made to accept the offer of sale under this subsection. If the tenant does not accept the offer within that time period or fails to secure the necessary financing, the applicant may offer the unit for sale without restriction under this subsection. The tenant shall be entitled to the renewable lease provisions set forth in subsection (I)(1) of this section and to all other protections provided in this section.

6. Whenever a unit is sold to a qualified tenant under the provisions of this subsection, the unit shall be encumbered by a second deed of trust securing an obligation in an amount equal to the difference between the sales price paid by the qualified tenant and the price at which the unit would have sold without the requirements imposed by this subsection. The beneficiary under the second deed of trust shall be the applicant. The second deed of trust shall provide for the following:

a. Simple interest on the amount secured shall accrue at a rate not exceeding five percent per year.

b. Neither principal nor interest shall be payable until the obligation secured by the second deed of trust has matured. The obligation shall mature when the unit is conveyed, transferred, leased, rented or otherwise alienated by the tenant; provided, that "conveyed, transferred, leased, rented or otherwise alienated" shall not include changes of ownership described in Sections 62, 63, and 63.1 of the Revenue and Taxation Code.

7. Qualification Determined by City.

a. To determine which tenants qualify for assistance under this subsection, the city, using the names and addresses of all the tenants in the proposed conversion project provided by Southwood Townhomes in the completed application, mailed a notice to each tenant on a form approved by the city council. The notice requested all information necessary to determine which tenants qualify for assistance. The notice instructed the tenants to return to the city planning department within fifteen (15) days the information requested, supported by affidavit or declaration under penalty of perjury as to its truth and accuracy. Based on the information received, the planning director determined that 11 tenants qualify for assistance and those tenants and the applicant were notified.

b. Notwithstanding the provisions of Chapter 17.200 of this title, the decision of the planning director shall be subject to appeal directly to the city council and shall be governed by the provisions of Chapter 1.24 of this code.

c. Unless an appeal of the decision of the planning director is filed, and except for name and address, the information supplied by a tenant to the city under subsection (F)(7) of this section shall be held in confidence and shall not be disclosed to the public without the express written consent of the tenant. In the event an appeal is filed, the information shall be disclosed to the extent necessary to fully apprise all parties to the appeal of the facts supporting the planning director's decision.

d. Failure of any tenant to receive the notice advising of the sales program under this subsection shall not invalidate any proceedings conducted hereunder.

8. Alternative Program.

a. Upon request of Southwood Townhomes, and in lieu of the requirements of this subsection, the city council may approve, or approve with conditions, an alternative program for providing housing opportunities to the low and moderate income tenants in the proposed conversion

project upon a finding that the alternative program is the substantial equivalent of the program provided by this subsection. Alternative programs may include, but need not be limited to, use of FHA single-family purchase programs and the Home Ownership and Community Development Act (25 Cal. Adm. Code Section 79 et seq.).

b. Upon request of Southwood Townhomes, the city council may waive, or waive with conditions, in whole or in part, the requirements of this subsection upon a finding that compliance would be inconsistent with or not in furtherance of the purposes set forth in Section 17.192.010 of this chapter and subsection (F)(1) of this section or the goals and policies of the housing element of the city general plan.

c. A request by Southwood Townhomes pursuant to subsection (F)(8)(a) or (b) of this section immediately preceding shall be made within fifteen (15) days after the determination of the planning director made pursuant to subsection (F)(7)(a) of this section has been forwarded to the applicant. The city shall give notice of the request in the same manner as it gives notice of the hearing on the special permit, and a hearing shall be conducted on the request concurrently with the hearing on the special permit.

d. Southwood Townhomes shall, within ten (10) days from the date of submitting the request to city, notify in writing all the eligible tenants in the project that a request for approval of an alternative program or a waiver under subsection (F)(8) of this section has been made and shall describe in detail the elements of the alternative program or the reasons for the waiver.

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Southwood Townhomes
Leasing Program for Qualified Low and Moderate Income Tenants & Qualified Elderly & Handicapped Tenants

The following Executive Summary outlines the basic provisions contained in the Leasing Program portion of the Condominium Conversion ordinance. Attached to the Executive Summary is a copy of the relevant provisions of Chapter 17.192 or the Sacramento City Code to provide further detail as required.

Executive Summary

- **Who Qualifies?**
Tenants who qualify for assistance under this provision must first be deemed and "Eligible Tenant". An "Eligible Tenant" as defined by the ordinance "*means any tenant who was a resident of the project proposed for conversion on the date notice of intent to convert is given, pursuant to Section 17.192.050(B) of this chapter and on the date of approval of the special permit and tentative map for the condominium conversion*". All tenants who meet the criteria must also meet the criteria for "Qualified Low and Moderate Income Tenants" which is defined as *those tenants making less than \$53,760 ("Low Income") or between \$53,761 and \$80,640 ("Moderate Income") as well as elderly and handicapped or disabled tenants. "Elderly" means individuals sixty-two (62) years of age or older. "Handicapped or disabled" is defined in Section 50072 of the California Health and Safety Code or Section 223of the United States Social Security Act, 42 USC 423.*

- **Lease Provisions**
Lease shall be offered to all qualified tenants under the following terms and conditions.
Premises – The unit in which the tenant currently resides or a comparable unit with in the project. A comparable unit is defined as a unit containing the same amount of Floor area, the same floor plan and the same amenities as the unit the Qualified Tenant resides in at the time the special permit is approved.
Lease Term – The initial term of the lease shall be for three (3) years. Qualified Tenants will then have four (4) successive options to renew the lease under the same terms and conditions as the original lease.
Rental Rate – The initial rental rate shall be equal to the monthly rent each Qualified Tenant was paying at the time the notice of intent to convert was given to each tenant. After the first year of the lease term the tenants monthly rent may be increased by an amount not to exceed 7% per year.

Miscellaneous – Qualified Tenants may not assign their leases or enter into a sublease agreement for their unit. Upon the death of the Qualified Tenant the lease shall terminate and be of no further force and effect.

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Southwood Townhomes

Leasing Program for Qualified Low and Moderate Income Tenants & Eligible
Elderly and Handicapped Tenants

Sacramento City Code

Section 17.192.050(I):

1. Leases, Eligible Elderly or Handicapped Tenants, Qualified Low and Moderate Income Tenants. The South wood Townhomes shall unconditionally offer each eligible tenant who is elderly or handicapped and to each qualified low and moderate income tenant who does not purchase a unit under the sales program provided in subsection E of this section a written lease for a term of three years on the unit in which the tenant resides at the time the special permit is approved or a comparable unit within the project. A "comparable unit" shall be a unit with the same floor plan, same amount of floor area (as measured in square feet) and the same amenities as the unit in which the tenant resides at the time the special permit is approved. Each such lease shall provide that the tenant shall have four successive options to renew the lease upon the terms and conditions as each original lease required by this subsection. The rental for the first year of the original lease shall be the rental paid by the tenant on the date that the notice specified in subsection (B)(1) of this section is given; thereafter, the rental may be increased annually on the anniversary date of the lease, commencing with the first anniversary date; provided, however, that the annual percentage increase in rent shall not exceed seven percent.
2. Each such lease shall further provide that the tenant shall have no power or right to assign the lease, or to rent or sublease the premises or any portion thereof, and that upon the death of the tenant, the lease shall terminate. Any lease provision which violates the provisions of this subsection shall be void, and the balance of the lease shall be valid and enforceable. To the extent that such lease shall not expressly contain the provisions required by this subsection, said provisions shall be deemed to be incorporated in full therein. Any tenant who has paid rent in excess of the maximum rental specified by this subsection shall be entitled to a refund in the amount of the excess payment. Such tenants may elect to deduct the amount of the refund due them from future rent payments, provided notice is given in advance as to the intention to do so.