



**Sacramento
Housing &
Redevelopment
Agency**

REPORT TO CITY COUNCIL AND HOUSING AUTHORITY

City of Sacramento

915 I Street, Sacramento, CA 95814-2671

www.CityofSacramento.org

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PUBLIC HEARING

May 9, 2006

Honorable Mayor and
Members of the City Council and Housing Authority of the City of Sacramento

Subject: APPROVAL OF THE ISSUANCE OF TAX-EXEMPT BONDS AND AGENCY
LOAN FOR THE RIVERSIDE COMMONS APARTMENTS

Location/Council District: 6205 Riverside Boulevard, District 4

Recommendation: Staff recommends adoption of the attached resolutions which:

- approve City HOME funds for an Agency loan of \$2,200,000 for the Riverside Commons Apartments;
- approve a budget transfer of \$2,200,000 from City HOME funds to the Riverside Commons Apartments;
- indicate the willingness of the Housing Authority of the City of Sacramento (Housing Authority) to issue up to \$6,500,000 in tax-exempt mortgage revenue bonds to provide acquisition and construction and permanent financing for the Riverside Commons Apartments;
- authorize an application to the California Debt Limit Allocation Committee (CDLAC) for authority to issue the bonds;
- indicate 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
- authorize the Executive Director to execute all necessary documents associated with the transaction.

Contact: Christine Weichert, Interim Director of Housing Policy and Development,
440-1353.

Alan Saunders, Housing Finance Analyst, 440-1399 x1262

Presenters: Alan Saunders, Housing Finance Analyst

Department: Sacramento Housing and Redevelopment Agency

Summary: This report recommends an Agency loan and the use of tax-exempt mortgage revenue bonds to provide acquisition and construction and permanent

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COMMONS APARTMENTS

financing for the Riverside Commons Apartments. Issuance of the bonds requires: 1) adoption of an inducement resolution to indicate the Housing Authority's intent to issue the bonds, 2) authorization of an application to CDLAC for authority to issue the bonds, and 3) holding a TEFRA public hearing. These actions will not commit the Housing Authority to issuing bonds until and unless all other necessary actions and approvals are taken or received in accordance with all applicable laws and to the satisfaction of the City Council. The hearing of this report by the City Council shall serve as the public hearing required under TEFRA.

Commission Action: At its April 19, 2006 meeting, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES: Burns, Coriano, Fowler, Gale, Gore, Hoag, Piatkowski, Shah, Simon, Stivers.

NOES: None.

ABSENT: Burruss.

Background Information: Capital Valley Investments (Developer), has requested the issuance of up to \$6,500,000 in tax-exempt mortgage revenue bonds and a \$2,200,000 loan of City HOME funds for the acquisition and rehabilitation of the 100 unit Riverside Commons Apartments. A vicinity map is included as Attachment A. A site map is included as Attachment B.

Description of Development: Riverside Commons is an existing 100 unit market-rate apartment development located in the Greenhaven/Pocket area on 3.7 acres at 6205 Riverside Boulevard. The wood frame buildings are constructed on concrete slabs with stucco siding and vertical wood accents.

The project will include 20 very low-income units and 80 low-income units in 8 two-story residential buildings. The units are a mix of one, two, and three bedrooms ranging in size from 630 square feet to 1,000 square feet. The building rehabilitation will include the replacement of a failing central hot water boiler system, roof, windows with dual pane, siding with "Hardi-Plank" type material, and most HVAC units. Unit interiors will be upgraded as needed with the repair or replacement of appliances, floor covering, paint, window covers, and bathroom fixtures.

A Relocation Plan has been produced by Overland Pacific & Cutler, Inc. for the Developer under the assumption that a portion of the current tenants living in a market rate development will have incomes above the required restricted income levels.

Permanently displaced households will receive benefits and assistance as required under federal relocation law. Relocation benefits include assistance in locating a housing unit of a comparable size, standard, and quality. A rental housing survey was being prepared as part of the Relocation Plan.

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Households will also be compensated for moving expenses and receive rental assistance housing payments for 42 months. The amount of each rental assistance payment will be based on each household's specific need. All displaced households will receive a 90 day notice to vacate before they are required to move.

The developer anticipates that some temporary relocation will be required due to rehabilitation work. Households affected will be provided with temporary relocation benefits in accordance with federal law.

Developer: The developer is a limited partnership or limited liability company related to or formed by Capital Valley Investments. Capital Valley Investments has extensive experience in the development, renovation and operation of multifamily housing with over 25,000 units of multifamily housing. As a partnership they have acquired and renovated over 5,000 multifamily units of which 1,610 have an affordable component and financing. The partnership owns more than 3,000 apartment units in the Sacramento area, including the Hidden Oaks Apartments, The Legacy Apartments, Hastings Park Apartments and Cascade Apartments.

The Developer will partner with Jamboree Housing Corporation (JHC), a nonprofit community housing development organization, which will provide a range of services to the residents through their in-house social services division. JHC was incorporated fifteen years ago to build, preserve, and maintain affordable rental and homeownership housing for low-income families, seniors and others throughout California. The resident services program component is entitled "Housing with HEART" (Helping Educate, Activate, and Respond Together).

Property Management: This project will be managed by FPI Management, Inc. which has been providing management services for multifamily housing owners for over 35 years. Currently, FPI Management has in its inventory approximately 36,000 units located in California, Nevada, Alaska, Ohio, Virginia and Pennsylvania. FPI employs over 1,000 field staff. FPI Management's current portfolio includes luxury and conventional apartment communities, as well as properties developed under affordable housing programs including LIHTC, HUD insured, USDA, Bond Financed and Housing Choice Voucher/Section 8.

FPI Management currently manages numerous Sacramento apartment developments including Emerald Place (204 units), Walnut Village (140 units), Hidden Oaks (314 units), The Pointe (88 units), Sunrise Meadows (95 units), Ridgestone (84 units) and Kenneth Park (97 units).

Agency staff has reviewed the management plan, including daily operations, leasing procedures, maintenance, and eviction procedures, and has found that the proposed management company meets the Agency's requirements for property management.

Project Financing: The developer has proposed to finance the Riverside Commons Apartments through the issuance of tax-exempt mortgage revenue bonds, equity through the low income housing tax credit program, Agency loan, net cash from

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operations (24 months) and a developer contribution in the form of a deferred developer fee note.

A project summary, including a proposed sources and uses of funds, is included as Attachment C, and a project cash flow proforma is included as Attachment D. A schedule of maximum rents and incomes is included as Attachment E.

This report recommends the approval of issuance of up to \$6,500,000 in tax-exempt mortgage revenue bonds and an Agency loan of City HOME Funds in the amount of \$2,200,000 to be used in conjunction with low income housing tax credits, to finance the acquisition and rehabilitation of the Riverside Commons Apartments. The Agency will report back to the Housing Authority on the actual bond amount with the request for final approval of the bond documents. The law firm of Jones Hall will serve as bond counsel to the Agency.

Bond Financing: As a public entity, the Housing Authority can issue tax-exempt bonds, the proceeds of which can provide acquisition, construction, and permanent financing for multi-family housing projects. Interest paid on the bonds is exempt from federal and state income tax, so bondholders will accept a below-market yield from the bonds. These savings are, in turn, passed on to the project owner in the form of a below-market rate loan, with interest rates approximately one to two percent below prevailing market rates.

Low-income Set-aside Requirements: As a condition of receiving the tax-exempt bond financing benefits of below-market rates, federal law requires that project units be set aside for targeted income groups. The following chart summarizes the proposed affordability restrictions for the project.

Unit Type	% of Units	Affordability Restrictions	Units	Regulatory Requirements
Agency Loan, Tax-exempt Bonds, LIHTC	20%	Very Low (50% AMI)	20	55 years
Agency Loan, LIHTC,	80%	Low (60% AMI)	80	55 years
Total	100%			

The project's affordability restrictions will be specified in two regulatory agreements with the Agency and the developer.

State and Local Approval Process: The Housing Authority must apply for (and receive) authorization from the California Debt Limit Allocation Committee (CDLAC) prior to issuing tax-exempt mortgage revenue bonds. The "volume cap" is limited and is allocated by CDLAC through a competitive state-wide process.

Project Inducement: Prior to granting a bond allocation, CDLAC requires that an "inducement" resolution be adopted by the entity proposing to issue the bonds. Inducement at this time will also allow the developer to be reimbursed from bond issue proceeds for acquisition expenses that it has incurred already and will incur in the

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future. Staff thus recommends that the Housing Authority adopt a resolution to indicate its intent to issue bonds to finance the purchase and construction of the project.

Adoption of the resolution will not bind the Authority to issue bonds until and unless all other necessary actions are taken in accordance with all applicable laws.

Financial Considerations: Adoption of the attached resolutions will not result in any direct financial obligation to the City, Housing Authority or the Sacramento Housing and Redevelopment Agency.

The Agency will receive a one-time issuance fee of 0.25 percent (25 basis points) of the bond amount, which is payable at bond closing, and an annual payment for monitoring the regulatory restrictions and administration of the bonds, in the amount of 0.15 percent of the bond amount (15 basis points) for the term of the low-income set-aside requirements. The Developer will be responsible for payment of all costs, fees, and deposits relating to the bond application.

The Agency HOME Loan of \$2,200,000 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 F.

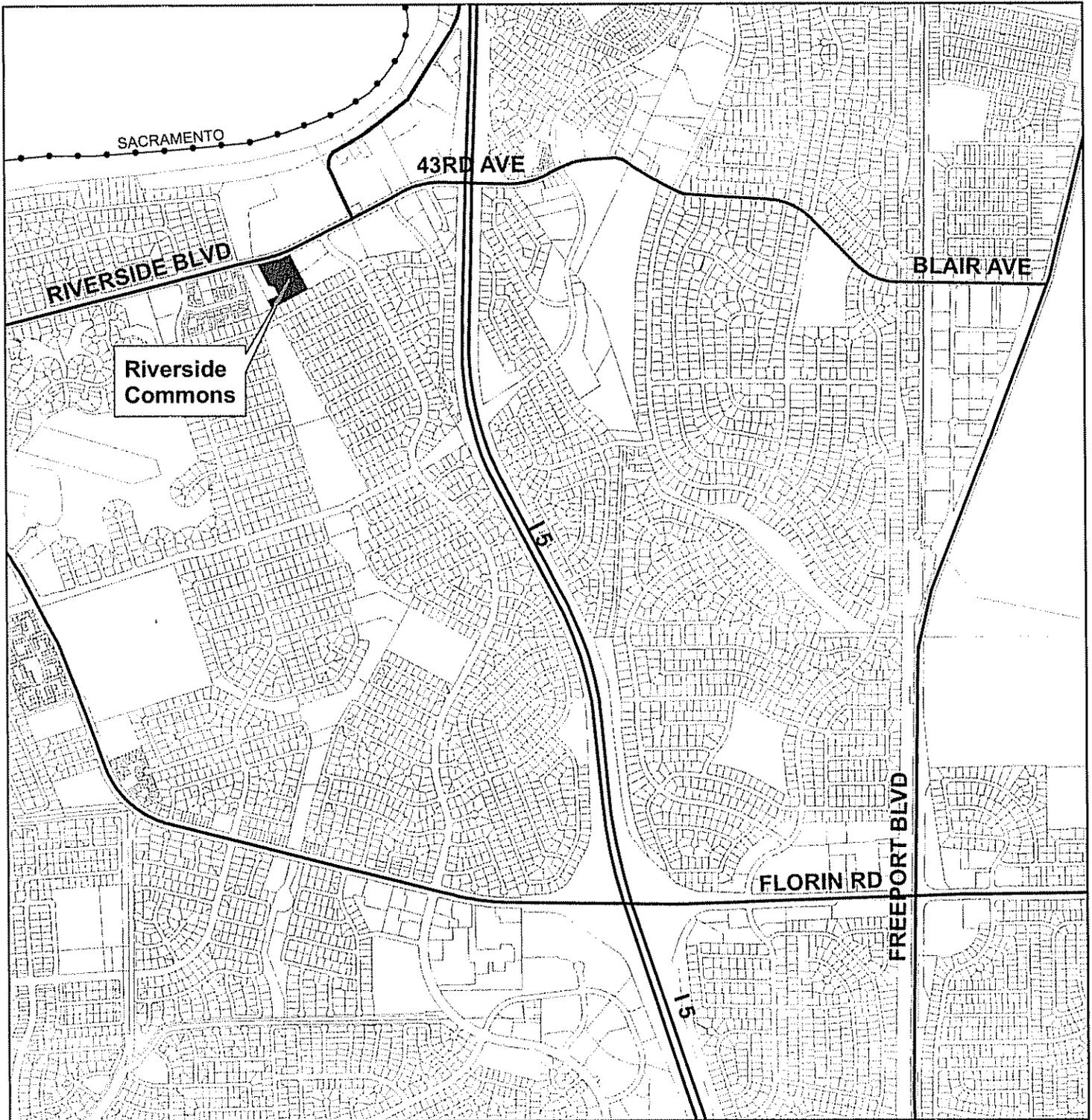
Environmental Considerations: The proposed actions set out in this staff report are exempt from further environmental review under the Agency's Environmental Review Policies and Procedures, Sections 7-3.1 and 7-3.10, which were adopted pursuant to CEQA Guidelines Section 15022, and provide that loans and bond financing mechanisms are exempt under Section 15310. In addition, CEQA Guidelines Section 15301(a) and (d) exempts rehabilitation of existing facilities to upgrade the structures to meet public health and safety standards.

The project consists of the rehabilitation of existing multifamily residential buildings in which the unit density will not be changed and the estimated cost of rehabilitation is less than seventy-five percent of the total estimated cost of replacement after rehabilitation. An Environmental Review Record has been prepared that qualifies the project as categorically excluded from environmental review under the National Environmental Protection Act for the HOME funding pursuant to 24 CFR Section 58.35(a)(3). Therefore, no further environmental review is required.

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 are specified in a Regulatory Agreement between the Developer and the Housing Authority. Compliance with the Regulatory Agreement will be monitored by the Agency on a regular basis.

Riverside Commons Apartments Vicinity Map

Attachment A



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Legend

— Major Roads

— Sacramento River



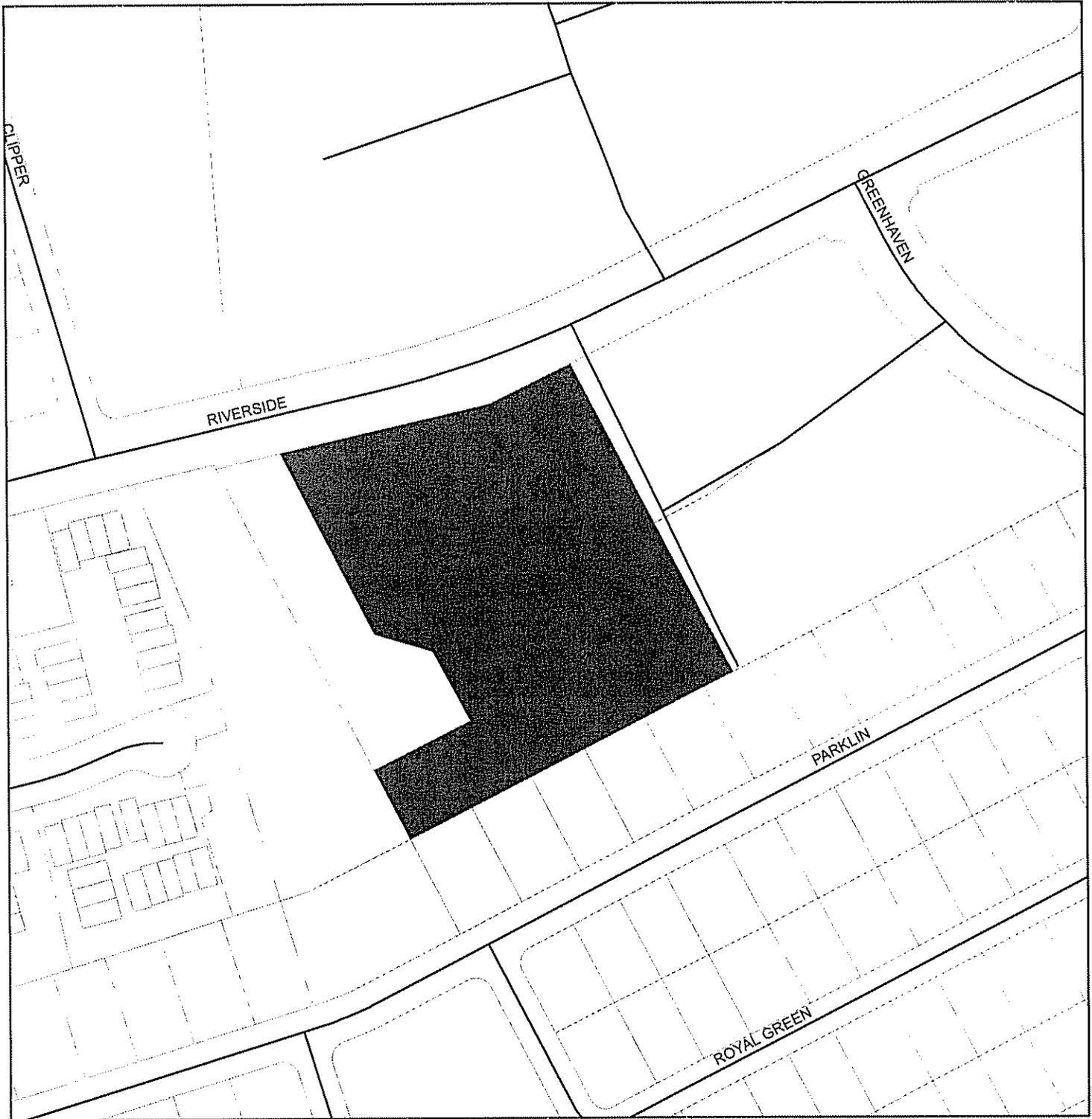
Riverside Commons Apartments



Parcels

Riverside Commons Apartments Site Map

Attachment B



Legend

- Sacramento River
- ▨ Riverside Commons Apartments
- - - - - Parcels
- Streets

Riverside Commons Apartments

Address	6205 Riverside Blvd., Sacramento, CA 95831		
Number of Units	100		
Year Built	1968		
Acreage	3.7 Acres		
Affordability	20 units (20%) at or below 50% of medium 80 units (80%) at or below 60% of medium		
Unit Mix and Gross Rents	Gross Rents Before Utility Allowance		
	(50% AMI)	(60% AMI)	
1 Bedroom / 1 Bath	8 @ \$613	30 @ \$735	
2 Bedroom / 1 Bath	11 @ \$736	43 @ \$883	
3 Bedroom / 1.25 Bath	1 @ \$850	7 @ \$1020	
Square Footage			
1 BR / 1 BA	630 square feet		
2 BR / 2 BA	800 square feet		
3 BR / 1.25 BA	1,000 square feet		
Common Areas	1,708 square feet		
Total	76,848 square feet		
Resident Facilities	Outdoor pool, new community room (to be built)		
Permanent Sources	<i>Total</i>	<i>Per Unit</i>	<i>Per Square Foot</i>
Tax Exempt Bond	\$ 6,250,000	\$ 62,500	\$ 81.33
Tax Credit Equity	\$ 4,398,925	\$ 43,989	\$ 57.24
SHRA Loan	\$ 2,200,000	\$ 22,000	\$ 28.63
NOI During Lease Up	\$ 720,345	\$ 7,203	\$ 9.37
Developer Note	\$ 569,923	\$ 5,699	\$ 7.42
TOTAL SOURCES	\$ 14,139,193	\$ 141,392	\$ 183.99
Permanent Uses			
Property Acquisition	\$ 7,798,594	\$ 77,986	\$ 101.48
Construction Costs	\$ 2,327,000	\$ 23,270	\$ 30.28
Contractor Overhead & Profit	\$ 307,164	\$ 3,072	\$ 4.00
Costs of Issuance	\$ 458,489	\$ 4,585	\$ 5.97
Operating Reserves	\$ 224,805	\$ 2,248	\$ 2.93
Other Soft Costs	\$ 768,309	\$ 7,683	\$ 10.00
Senior Loan Interest (24 months)	\$ 500,000	\$ 5,000	\$ 6.51
Contingency	\$ 232,700	\$ 2,327	\$ 3.03
Developer Fee	\$ 1,522,132	\$ 15,221	\$ 19.81
TOTAL USES	\$ 14,139,193	\$ 141,392	\$ 183.99
Management / Operations			
Proposed Developer:	Capital Valley Investments and Jamboree Housing		
Property Management Company:	FPI Management, Inc.		
Operations Budget:	\$385,644	\$3,856	
Replacement Reserves:	\$30,000	\$300	

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	\$ 22,900
2 person	\$ 26,150
3 person	\$ 29,450
4 person	\$ 32,700
5 person	\$ 35,300

Maximum Rent Limits:	
<u>Unit Size</u>	<u>Gross Rent</u>
1 Bedroom	\$ 654
2 Bedroom	\$ 736
3 Bedroom	\$ 817

4% Low-Income Housing Tax Credit Program

Rents @ 60% of AMI

Maximum Income Limits:	
60% AMI	
<u>Family Size</u>	<u>Max. Income</u>
1 person	\$ 27,480
2 person	\$ 31,380
3 person	\$ 35,340
4 person	\$ 39,240
5 person	\$ 42,360

Maximum Rent Limits:	
<u>Unit Size</u>	<u>Net Rent</u>
1 Bedroom	\$ 735
2 Bedroom	\$ 883
3 Bedroom	\$ 1,020

HOME Funds

Rents @ 50% and 60% of AMI less utility allowance

Maximum Income Limits:		
<u>Family Size</u>	(HOME)	(HOME)
	50% AMI	60% AMI
	<u>Max. Income</u>	<u>Max. Income</u>
1 person	\$ 22,900	\$ 27,480
2 person	\$ 26,150	\$ 31,380
3 person	\$ 29,450	\$ 35,340
4 person	\$ 32,700	\$ 39,240
5 person	\$ 35,300	\$ 42,360

Maximum Rent Limits:		
<u>Unit Size</u>	<u>Net Rent</u>	<u>Net Rent</u>
	(at 50% AMI)	(at 65% AMI)
1 Bedroom	\$ 613	\$ 761
2 Bedroom	\$ 736	\$ 916
3 Bedroom	\$ 850	\$ 1,049

May 9, 2006

Mr. Darren Horning
Capital Valley Investments
269 Technology Way, Suite B-1
Rocklin, CA 95765

RE: Conditional funding commitment, Riverside Commons Apartments

Dear Mr. Horning:

On behalf of the Sacramento Housing and Redevelopment Agency ("Agency"), we are pleased to advise you of its commitment of permanent loan funds ("Loan") from the HOME funds for the purpose of financing the acquisition and rehabilitation of that certain real property located at 6205 Riverside Blvd., 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 will expire May 9, 2007.

1. PROJECT DESCRIPTION: The project is the acquisition and rehabilitation of a 100 unit family apartment development. The project will include 20 very low-income (50% AMI), 80 low-income (60% AMI) units in 8 two-story residential buildings. At least 4 units will be HOME restricted at 50% AMI and at least 12 units will be HOME restricted at 60% AMI. The units are a mix of one, two, and three bedrooms ranging in size from 630 square feet to 1,000 square feet. The building rehabilitation will include both exterior work on common grounds as well as interior work in individual units.

2. BORROWER: The name of the Borrower for the Loan is expected to be a California limited partnership or a limited liability company related to or formed by Capital Valley Investments.
3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely to pay the costs of acquisition, rehabilitation, 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) Two Million Two Hundred Thousand Dollars (\$2,200,000), 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 90 percent of the appraised value.
5. TERM OF LOAN: The unpaid balance of the Loan will be all due and payable month 396.
6. INTEREST RATE: The Loan will bear interest at Four Percent (4%) per annum. Interest shall be calculated on the basis of a 365-day year and actual days elapsed.
7. MONTHLY PAYMENT: 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 216 months. Beginning in month 217, monthly installments shall be made according to the following schedule:

Months 217-228	\$5,742
Months 229-240	\$6,502
Months 241-252	\$7,266
Months 253-264	\$8,036
Months 265-276	\$8,811
Months 277-288	\$9,590
Months 289-300	\$10,373
Months 301-312	\$11,159
Months 313-324	\$11,949
Months 325-336	\$12,741
Months 337-348	\$13,535
Months 349-360	\$14,330
Months 361-372	\$15,126
Months 373-384	\$15,922
Months 385-396	\$16,717

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: \$2,200,000 in City HOME funds. This Loan is conditioned upon Borrower's acceptance of Agency's requirements and conditions related to such lending programs and funding sources, including among others, the required forms of agreements for the Loan; the requirements for covenants, conditions and restrictions upon the Property; and insurance and indemnity requirements.

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

_____ (Borrower Initial)

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 subordinate lien upon the Property and Improvements subject only to senior 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.
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: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$4,300,000, in Low Income Housing Tax Credits and no less than \$550,000 in deferred developer fee.
13. OTHER FINANCING: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:

Construction Financing from a private lender(s) in an amount(s) sufficient to complete rehabilitation 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.

Commitments for permanent financing sufficient to "take out" all liens senior to the Agency's lien and for a term of not less than 30 years and fully amortized.

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 DDA, OPA or other agreements.

14. EVIDENCE OF FUNDS: Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its 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 to Agency a soils report prepared by a licensed soils engineer, if requested, and a hazardous substances report made in accordance with the American Society for Testing and Materials "Standard Practice for Environmental Site Assessments; Phase I Environmental Site Assessment Process" (Designation E1527-93) prepared by a licensed or registered environmental engineer or other qualified party prior to Loan closing. Borrower must, as a condition of disbursement of Loan funds, give assurances satisfactory to the Agency that hazardous materials are not present on the Property or that any hazardous materials on the Property have been remediated and that no further remediation is then required by the environmental agency having responsibility for monitoring such remediation.

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

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

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

22. APPROVAL OF DISBURSEMENTS: Borrower shall submit all disbursement requests to the Agency simultaneous to lender, tax credit investor, and/or any other funding source for the project for approval. Agency shall have five business days from the date of a complete disbursement request to approve or deny, in whole or part, such disbursement request. Borrower shall ensure that appropriate language to this effect is included in lender and partnership documents.

Agency shall only approve disbursements of the Loan based on a cost breakdown that restricts disbursements to line items in cost categories in Agency approved budget. Agency shall require that Borrower provide documentation supporting all requests for disbursement of Loan funds. Agency shall conduct inspections of the Property prior to disbursing, or approving disbursement requests, of Loan funds.

If the Agency does not approve a draw request, in whole or part, or the Borrower fails to submit a draw request to the Agency for approval, the Agency loan shall be reduced by the same amount of the disallowed draw item(s).

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. If there is an aggregate savings in the total of all such cost breakdown items

based on the original approved budget for the project, the Agency shall withhold for itself, as loan repayment, one-half of such savings from the amount of retention then held by the Agency, and the loan balance shall be reduced by the amount so withheld. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency loan based upon this cost certification and the original approved budget for the project.

23. CONSTRUCTION CONTINGENCY: Within the Development Budget there will be a 10% construction contingency. This contingency can only be spent by change order request with Agency approval. Any unspent funds will be split between the Developer (50%) and the Agency (50%).
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 October 1, 2006.

25. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than December 31, 2007.
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 \$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.
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 subordinated 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. FPI Management has been approved by Agency as an acceptable management company.
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. TENANT SERVICES PLAN: Prior to the closing of the Loan the Borrower will submit to the Agency for approval a Tenant Services Plan. The Tenant Services Plan must provide a description of the services or activities to be provided as well as their goals and objectives. Additional information such as the name of the service provider, the number of staff persons facilitating the services, and how regularly the services will be offered must be included.
35. TENANT RELOCATION PLAN: Prior to the closing of the Loan the Borrower will submit to the Agency for approval a Tenant Relocation Plan. The Tenant Relocation Plan must provide a description of the services and activities to be provided as required by the HOME regulations. Additional information such as the name of the Plan provider, the number of staff persons facilitating the Relocation Plan, and the length of time to complete the Plan must be included.

36. SECURITY AND LIGHTING: Project shall include a security camera system approved by the Agency and lighting adequate to properly light the parking area and all common spaces.
37. 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.
38. 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.
39. 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.
40. 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: _____
Darren Horning

RESOLUTION NO. 2006 -

Adopted by the Sacramento City Council

on date of

RIVERSIDE COMMONS APARTMENTS: APPROVAL OF ACQUISITION AND CONSTRUCTION LOAN; LOAN AGREEMENT AND RELATED DOCUMENTS WITH CAPITAL VALLEY INVESTMENTS OR RELATED ENTITY; RELATED BUDGET AMENDMENT

BACKGROUND

- A. Capital Valley Investments has requested allocation of Two Million Two Hundred Thousand Dollars (\$2,200,000) from City HOME Funds to the Riverside Commons Apartments project to assist in funding the costs of acquisition and construction of a 100 unit family housing project that will include 20 very low income and 80 low income units.
- B. The Riverside Commons 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 decrease the HOME Loan Fund by \$2,200,000 and to allocate those funds to the Riverside Commons Apartments project.

Section 3. The Loan Commitment, a copy of which is attached to the staff report that accompanies this resolution, for financing the Riverside Commons Apartments project in HOME Loan Funds in the amount of \$2,200,000 is approved and the Agency is authorized to execute and transmit the Loan Commitment to Capital Valley Investments.

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 the \$2,200,000 Loan for a term of 33 years, with an interest rate of 4% (simple), and a loan repayment deferral until the beginning of the 18th year with Capital Valley Investments, or related entity to fund the acquisition and construction of the Riverside Commons 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. 2006 -

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 an principal amount not to exceed \$6,500,000 (the "Obligations") for the purpose of making a loan to a California limited partnership or limited liability company related to or formed by The Ezralow Company or Gala Construction Company (the "Developer"), the proceeds of which shall be used by the Developer to finance the acquisition and rehabilitation of a 100-unit multifamily housing rental facility located at 6205 Riverside Boulevard, Sacramento, California and commonly known as the Riverside Commons 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 declares 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. After due consideration of the evidence presented, the findings, including the environmental findings regarding this action, are approved.

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 \$6,500,000.

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 law firm of Jones Hall, A Professional Law Corporation, is hereby named as bond counsel to the Authority in connection with the issuance of the Obligations. The fees and expense of bond counsel and any financial advisor employed by the Authority in connection with the issuance of the Obligations are to be paid solely from the proceeds of the Obligations or directly by the Developer.

Section 7. 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 8. 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 9. This resolution shall take effect immediately upon its adoption.

RESOLUTION NO. 2006 _____

Adopted by the Sacramento City Council

on date of

A RESOLUTION 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 a principal amount not to exceed \$6,500,000 (the "Obligations") for the purpose of making a loan to a California limited partnership or limited liability company related to or formed by The Ezralow Company or Gala Construction Company ("Developer"), the proceeds of which shall be used by the Developer to finance the acquisition and rehabilitation of a 100-unit multifamily rental housing facility located at 6205 Riverside Boulevard, Sacramento, California and commonly known as the Riverside Commons 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 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 approves 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. After due consideration of the evidence presented, the findings, including the environmental findings regarding this action, are approved.

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 upon its adoption.

