Meeting Date: 5/17/2016

Report Type: Consent

Report ID: 2016-00454

Title: (City Council/Housing Authority) Approval of Housing Trust Fund Loan Commitment for Pensione K

Location: 1100 17th Street, Midtown Sacramento, District 4

Recommendation: Pass 1) a City Council Resolution authorizing the Sacramento Housing and Redevelopment Agency (Agency) to a) approve a loan commitment of $746,800 in City Housing Trust Funds to Pensione K (Project), b) execute an Amended and Restated Loan Commitment Letter with 1702 Studio Housing Partners L.P. (Barone Galasso and Associates, Inc.) or related entity, c) execute all necessary documents associated with this transaction, d) amend the Agency budget, and e) make related findings; and 2) a Housing Authority Resolution authorizing the Executive Director or her designee to a) restructure and/or extend the existing debt and assign it to a new limited partnership formed by Barone Galasso and Associates, Inc., extending the loans’ maturity to a date 55 years after completion of the proposed rehabilitation, b) execute the Amended and Restated Loan Commitment Letter c) consent to the assumption of the existing obligations by 1702 Studio Housing Partners L.P. (Barone Galasso and Associates, Inc.) or a related entity, in order to ensure the continued viability of the development, d) release or amend the outdated restrictions associated with the original loan, and e) amend the Agency budget to receive the repayment of the principal and interest on the Housing Trust Fund.

Contact: Christine Weichert, Assistant Director, (916) 440-1353, Sacramento Housing and Redevelopment Agency

Presenter: None

Department: Sacramento Housing & Redevelopment Agency

Division:

Dept ID:

Attachments:
01-Description/Analysis
02-Vicinity Map
03-Photo
04-Background
05-Project Summary
06-Cash Flow Proforma
07-Maximum Income and Rent Limits
08-Resolution (City Council Loan Commitment Pensione K)
09-Exhibit A - HTF Loan Commitment Letter
10-Resolution (Housing Authority Existing Loans)
City Attorney Review
Approved as to Form
Sheryl Patterson
5/9/2016 11:28:53 AM

SHRA Counsel Review
Approved as to Form
David Levin
4/29/2016 8:40:13 AM

Approvals/Acknowledgements
Department Director or Designee: La Shelle Dozier - 4/29/2016 8:40:13 AM
Description/Analysis:

**Issue Detail:** On March 8, 2016, the City Council approved an application from 1702 Studio Housing Partners L.P. (Barone Galasso and Associates, Inc. or Developer) to the Housing Authority of the City of Sacramento and the Sacramento Housing and Redevelopment Agency for the issuance of up to $4.5 million in tax-exempt mortgage revenue bonds, and a gap financing Home Investment Partnership Program (HOME) loan of $1.19 million for Pensione K (Project). Pensione K is an existing affordable apartment complex owned by the Developer that is in need of rehabilitation. Project financing also included approval of the restructuring of three existing loans (two funded with Low/Moderate Housing Tax Increment and one with Housing Trust Funds (HTF)), which were to be assigned to a new limited partnership formed by Barone Galasso and Associates, Inc. The restructuring of these loans and their associated documents included extending their maturity to a date 55 years after completion of the proposed rehabilitation of the Project. Staff is proposing to continue to restructure the two Low/Moderate Tax Increment loans as previously authorized. However, it is now proposed that the HTF loan, with a total outstanding balance with accrued interest of approximately $746,800, be repaid and a new HTF loan be made in an equivalent amount.

The original HTF loan was made with local funds in the name of the Redevelopment Agency of the City of Sacramento. With the dissolution of redevelopment agencies in California, redevelopment funds were transferred to the Housing Authority of the City of Sacramento. Due to the Dissolution Law process, the existing HTF loan must be repaid to the Housing Authority of the City of Sacramento and a new HTF loan made in the name of the Sacramento Housing and Redevelopment Agency.

Pensione K is located on approximately 0.44 acres at 1100 17th Street in Sacramento’s Midtown neighborhood. The Project was built in 1996 and includes a total of 127 studio units and two one-bedroom manager’s units that comprise a four-story wood frame residential building with an elevator and stucco exterior. There is retail space on the ground floor. A vicinity map is included as Attachment 2. A photo of the Project is included as Attachment 3. Further background on the Project, Developer, property management, resident services, financing, and affordability requirements is included as Attachment 4. A project summary, including a proposed sources and uses of funds, is included as Attachment 5. A project cash flow proforma is included as Attachment 6, and a schedule of maximum rents is included as Attachment 7.

**Policy Considerations:** The recommended actions are consistent with: a) the HTF Ordinance and its adopted rules and regulations for its administration (Ordinance No. 89-013); b) the Agency’s previously approved Multifamily Lending and Mortgage Revenue Bond Policies, priority 2. Recapitalization (Resolution No. 2009-148); c) the 2013-2021 Housing Element, which encourages the preservation and rehabilitation of
existing housing to ensure neighborhood livability and promote housing affordability (Resolution No. 2013-415); d) the Sacramento Promise Zone Plans and Goals, Sustainably Built Community sub-goal to increase housing types and transit growth to promote livability and connectivity within the Promise Zone (Resolution No. 2015-263); and e) the Downtown Housing Initiative and Initiation of the Downtown Specific Plan, to bring 10,000 places to live to Downtown Sacramento by year 2025 (Resolution No. 2015-282).

**Economic Impacts:** This multifamily residential rehabilitation project is expected to create 23.6 total jobs (13.4 direct jobs and 10.2 jobs through indirect and induced activities) and create $1,964,272 in total economic output ($1,197,346 of direct output and another $766,926 of output through indirect and induced activities). The Developer will be encouraged to use the First Source Program for employment opportunities.

The indicated economic impacts are estimates calculated using a calculation tool developed by the Center for Strategic Economic Research (CSER). CSER utilized the IMPLAN input-output model (2009 coefficients) to quantify the economic impacts of a hypothetical $1 million of spending in various construction categories within the City of Sacramento in an average one-year period. Actual impacts could differ significantly from the estimates and neither the City of Sacramento nor CSER shall be held responsible for consequences resulting from such differences.

**Environmental Considerations:**

**California Environmental Quality Act (CEQA):** On March 2, 2016, the Sacramento Housing and Redevelopment Commission found the Project to be exempt from environmental review in accordance with CEQA pursuant to Guidelines Section 15301, Existing Facilities. The proposed actions herein substitute a portion of funding and do not change the proposed project as previously revised and approved. On March 8, 2016, the Housing Authority and the City of Sacramento each made the same environmental findings. Therefore, the recommended actions regarding loan restructuring do not require further environmental review.

**Sustainability Considerations:** The Project has been reviewed for consistency with the goals, policies and targets of the Sustainability Master Plan and the 2030 General Plan. If approved, the Project will advance the following goal, policy and target as follows: Goal number one – Energy Independence, specifically by reducing the use of fossil fuels, improving energy efficiency, and providing long-term affordable and reliable energy.

**Other:** On March 2, 2016, the Sacramento Housing and Redevelopment Commission found the Project to be exempt in accordance with the National Environmental Policy Act (NEPA) pursuant to 24 CFR Section 58.35(a)(3)(ii). The proposed actions herein substitute a portion of funding and do not change the proposed project as previously revised and approved. On March 8, 2016, the Housing Authority and the City of Sacramento each made the same environmental findings. Therefore, the recommended actions do not require further environmental review.
**Commission Action:** At its meeting of May 4, 2016, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

**AYES:** Alcalay, Creswell, Griffin, Johnson, Morgan, Painter, Raab, Rios, Staajabu

**NOES:** none

**ABSENT:** Macedo, Simas

**ABSTAIN:** none

**RECUSE:** none

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

**Financial Considerations:** Project financing currently consists of an Agency loan of $746,800 in HTF (to be repaid and reissued) and a HOME loan in the amount of $1.19 million, which was committed on March 8, 2016, in Resolution 2016-00078. The two existing Low/Moderate Tax Increment loans are being restructured and extended using their existing interest rates. The existing HTF loan, including accrued interest, totals approximately $746,800 and will be repaid by the Developer at closing. The Amended and Restated Loan Commitment to commit to issuance of a new HTF loan rather than restricting the existing loan is included as Exhibit A to the City Council Resolution.

**LBE/M/WBE/Section 3 and First Source Considerations:** Minority and Women’s Business Enterprise (M/WBE) requirements will be applied to all activities to the extent required by federal funding to maintain that federal funding. Section 3 requirements will be applied to the extent applicable. Developer will be encouraged to use the First Source Program for employment opportunities. Local Business Enterprise (LBE) does not apply to this report.
Pensione K

1100 17th St
Pensione K  
Background Information

Description of Development: Barone Galasso and Associates, Inc. propose to rehabilitate Pensione K (Project), an existing affordable 129-unit apartment complex at 1100 17th Street. The Project was built in 1996 using Low Income Housing Tax Credits (LIHTC). The Project consists of 127 studio units and two one-bedroom manager’s units in a four-story building. Income restrictions from the LIHTC financing require that no households at the 129-unit Project have an income higher than 60 percent Area Median Income (AMI). The Agency further requires 20 percent of the units to be restricted to households with incomes no greater than 50 percent AMI.

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

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

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

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

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

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

**Project Financing:** The Project’s previously approved financing included a bank loan, tax credit equity, two existing Housing Authority loans, a deferred developer fee and an Agency loan of $1,190,000 in City HOME Investment Partnership (HOME) funds. The Project’s anticipated financing will include an Agency loan of $746,800 in City Housing Trust Funds. Funding sources and uses are provided in the Project Summary as Attachment 5. A Cash Flow Proforma is provided as Attachment 6.

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

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>% of Units</th>
<th>Affordability Restrictions</th>
<th>Units</th>
<th>Regulatory Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Income Housing Tax Credits and Agency Loan</td>
<td>15%</td>
<td>Extremely Low (30% AMI)</td>
<td>20</td>
<td>55 years</td>
</tr>
<tr>
<td>Low Income Housing Tax Credits, Tax-exempt Bonds and Agency Loan</td>
<td>70%</td>
<td>Very Low (40% AMI)</td>
<td>92</td>
<td>55 years</td>
</tr>
<tr>
<td>Low Income Housing Tax Credits, Tax-exempt Bonds and Agency Loan</td>
<td>10%</td>
<td>Very Low (50% AMI)</td>
<td>11</td>
<td>55 years</td>
</tr>
<tr>
<td>Low Income Housing Tax Credits and Agency Loan</td>
<td>3%</td>
<td>Low (60% AMI)</td>
<td>4</td>
<td>55 years</td>
</tr>
<tr>
<td>Low Income Housing Tax Credits and Agency Loan</td>
<td>2%</td>
<td>Low (60% AMI)</td>
<td>2</td>
<td>55 years</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td></td>
<td><strong>129</strong></td>
<td></td>
</tr>
</tbody>
</table>
# Pensione K
## Residential Project Financial Summary

<table>
<thead>
<tr>
<th>Address</th>
<th>1100 17th Street</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Units</td>
<td>129</td>
</tr>
<tr>
<td>Year Built</td>
<td>1995</td>
</tr>
<tr>
<td>Construction Type</td>
<td>Rehabilitation</td>
</tr>
<tr>
<td>Acreage</td>
<td>0.44</td>
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<tr>
<td>Affordability</td>
<td></td>
</tr>
<tr>
<td>Studio (30% AMI)</td>
<td>20</td>
</tr>
<tr>
<td>Studio (40% AMI)</td>
<td>92</td>
</tr>
<tr>
<td>Studio (50% AMI)</td>
<td>11</td>
</tr>
<tr>
<td>Studio (60% AMI)</td>
<td>6</td>
</tr>
<tr>
<td>1 Bedroom (Staff)</td>
<td>2</td>
</tr>
<tr>
<td>TOTAL</td>
<td>20</td>
</tr>
<tr>
<td>Square Footage</td>
<td></td>
</tr>
<tr>
<td>Studio (30% AMI)</td>
<td>220 square feet</td>
</tr>
<tr>
<td>Studio (40% AMI)</td>
<td>260 square feet</td>
</tr>
<tr>
<td>Studio (50% AMI)</td>
<td>287 square feet</td>
</tr>
<tr>
<td>Studio (60% AMI)</td>
<td>440 square feet</td>
</tr>
<tr>
<td>1 Bedroom (Staff)</td>
<td>500 square feet</td>
</tr>
<tr>
<td>Common Areas</td>
<td>16,321 square feet</td>
</tr>
<tr>
<td>TOTAL</td>
<td>50,558 square feet</td>
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</tbody>
</table>

## Resident Facilities
The project includes a community room and kitchen, resident lounge, courtyard and a 24 hour on-site laundry facility.

## Permanent Sources

<table>
<thead>
<tr>
<th>Source</th>
<th>Current Total</th>
<th>Per Unit</th>
<th>Per Sq Ft</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Tax Credit Equity</td>
<td>$2,399,796</td>
<td>$18,603</td>
<td>$47.47</td>
</tr>
<tr>
<td>New Agency HOME Loan</td>
<td>$1,190,000</td>
<td>$9,225</td>
<td>$23.54</td>
</tr>
<tr>
<td>New Agency HTF Loan</td>
<td>$746,800</td>
<td>$5,789</td>
<td>$14.77</td>
</tr>
<tr>
<td>Existing Agency Loan</td>
<td>$1,005,828</td>
<td>$7,797</td>
<td>$19.89</td>
</tr>
<tr>
<td>Bonds</td>
<td>$3,000,000</td>
<td>$23,256</td>
<td>$59.34</td>
</tr>
<tr>
<td>NOI During Construction</td>
<td>$176,514</td>
<td>$1,368</td>
<td>$3.49</td>
</tr>
<tr>
<td>Deferred Developer Fee</td>
<td>$195,000</td>
<td>$1,512</td>
<td>$3.86</td>
</tr>
<tr>
<td><strong>TOTAL SOURCES</strong></td>
<td>$8,713,938</td>
<td>$67,550</td>
<td>$172.36</td>
</tr>
</tbody>
</table>

## Permanent Uses

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Per Unit</th>
<th>Per Sq Ft</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition</td>
<td>$3,800,000</td>
<td>$29,457</td>
<td>$75.16</td>
</tr>
<tr>
<td>Construction</td>
<td>$2,398,340</td>
<td>$18,592</td>
<td>$47.44</td>
</tr>
<tr>
<td>Permits and Fees</td>
<td>$10,000</td>
<td>$78</td>
<td>$0.20</td>
</tr>
<tr>
<td>Architecture and Engineering</td>
<td>$75,000</td>
<td>$581</td>
<td>$1.48</td>
</tr>
<tr>
<td>Hard Cost Contingency</td>
<td>$239,834</td>
<td>$1,859</td>
<td>$4.74</td>
</tr>
<tr>
<td>Soft Cost Contingency</td>
<td>$188,891</td>
<td>$1,464</td>
<td>$3.74</td>
</tr>
<tr>
<td>Financing Costs</td>
<td>$281,185</td>
<td>$2,180</td>
<td>$5.56</td>
</tr>
<tr>
<td>Operating Reserves</td>
<td>$250,000</td>
<td>$1,938</td>
<td>$4.94</td>
</tr>
<tr>
<td>Legal Fees</td>
<td>$155,000</td>
<td>$1,202</td>
<td>$3.07</td>
</tr>
<tr>
<td>Developer Fee</td>
<td>$792,153</td>
<td>$6,141</td>
<td>$15.67</td>
</tr>
<tr>
<td>Relocation</td>
<td>$437,485</td>
<td>$3,391</td>
<td>$8.65</td>
</tr>
<tr>
<td>Insurance, Third Party, Marketing, Other</td>
<td>$86,050</td>
<td>$667</td>
<td>$1.70</td>
</tr>
<tr>
<td><strong>TOTAL USES</strong></td>
<td>$8,713,938</td>
<td>$67,550</td>
<td>$172.36</td>
</tr>
</tbody>
</table>

## Management / Operations

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Property Management Company</td>
<td>Pacific Housing Inc.</td>
</tr>
<tr>
<td>Operations Budget</td>
<td>$494,932</td>
</tr>
<tr>
<td>Property Management</td>
<td>$45,876</td>
</tr>
<tr>
<td>Resident Services</td>
<td>$27,723</td>
</tr>
<tr>
<td>Replacement Reserves</td>
<td>$38,700</td>
</tr>
</tbody>
</table>
### Maximum Income Limits:

<table>
<thead>
<tr>
<th>Family Size</th>
<th>30% AMI</th>
<th>40% AMI</th>
<th>50% AMI</th>
<th>60% AMI</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 person</td>
<td>$15,030</td>
<td>$20,040</td>
<td>$25,050</td>
<td>$30,060</td>
</tr>
<tr>
<td>2 person</td>
<td>$17,160</td>
<td>$22,880</td>
<td>$28,600</td>
<td>$34,320</td>
</tr>
<tr>
<td>3 person</td>
<td>$19,320</td>
<td>$25,760</td>
<td>$32,200</td>
<td>$38,640</td>
</tr>
</tbody>
</table>

### Maximum Rent Limits:

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

<table>
<thead>
<tr>
<th>Unit Size</th>
<th>30% AMI</th>
<th>40% AMI</th>
<th>50% AMI</th>
<th>60% AMI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>$375</td>
<td>$501</td>
<td>$626</td>
<td>$751</td>
</tr>
</tbody>
</table>
RESOLUTION NO. 2016 -
Adopted by the Sacramento City Council

on date of

PENSIONE K: APPROVAL OF $746,800 CITY HOUSING TRUST FUND (HTF) LOAN; AMENDED AND RESTATED LOAN COMMITMENT AND RELATED DOCUMENTS FOR PENSIONE K REHABILITATION PROJECT WITH 1702 STUDIO HOUSING PARTNERS L.P. (BARONE GALASSO AND ASSOCIATES, INC.) OR RELATED ENTITY; RELATED BUDGET AMENDMENT; AND ENVIRONMENTAL FINDINGS

BACKGROUND

A. 1702 Studio Housing Partners L.P. (Developer) applied for restructuring of the existing $746,800 HTF loan to assist in funding the acquisition, rehabilitation and permanent financing of the 129-unit Pensione K (the “Project”). Due to the Dissolution Law, this loan is to be repaid and reissued.

B. At its meeting of March 8, 2016, the Sacramento City Council approved an allocation of $1.19 million in Home Investment Partnership Program (HOME) funds to assist in funding the acquisition, rehabilitation, and permanent financing of Pensione K.

C. Pensione K is consistent with: a) the Housing Trust Fund Ordinance and its adopted rules and regulations for its administration (Ordinance No. 89-013); b) the Sacramento Housing and Redevelopment Agency’s previously approved Multifamily Lending and Mortgage Revenue Bond Policies, priority number 2. Recapitalization (Resolution No. 2009-148); c) the 2013-2021 Housing Element, which encourages the preservation and rehabilitation of existing housing to ensure neighborhood livability and promote housing affordability (Resolution No. 2013-415); d) the Sacramento Promise Zone plans and goals, Sustainably Built Community sub-goal to increase housing types and transit growth to promote livability and connectivity within the Promise Zone (Resolution No. 2015-263); and e) the Downtown Housing Initiative and Initiation of the Downtown Specific Plan, to add 10,000 housing units to Downtown Sacramento by year 2025 (Resolution No. 2015-282).

D. The Project currently has a Housing Authority of the City of Sacramento (Housing Authority) Low/Moderate Tax Increment loan at 4% interest, with a total outstanding balance with accrued interest of approximately $189,628 which will mature in 2027. The Project has a second Low/Moderate Tax Increment loan at 3% interest, with a total outstanding balance with accrued interest of approximately $816,200 which will mature in 2027.

E. At its meeting of March 8, 2016, the City Council granted the Agency the authority to restructure and extend the existing debt and assign it to a new limited partnership formed by Barone Galasso and Associates, Inc. The restructuring of
these loans and associated documents will include extending their maturity to a date 55 years after the rehabilitation Project is completed.

F. The existing loans, due to the funding source (Low/Moderate Tax Increment funds) and related regulatory agreements, are housing assets under California Health and Safety Code Section 34176.

G. The existing HTF loan, with an outstanding balance of $746,800, will be repaid by the Developer at closing and a new HTF loan in the equivalent amount issued to help finance the Project.

H. On March 2, 2016, the Sacramento Housing and Redevelopment Commission found the project to be exempt from environmental review in accordance with the California Environmental Quality Act (CEQA) pursuant to Guidelines Section 15301, Existing Facilities. The proposed actions herein substitute a portion of funding and do not change the proposed project as previously revised and approved. On March 8, 2016, the Housing Authority and the City of Sacramento each made the same environmental findings. Therefore, the recommended actions do not require further environmental review.

I. On March 2, 2016, the Sacramento Housing and Redevelopment Commission found the project to be exempt in accordance with the National Environmental Policy Act (NEPA) pursuant to 24 CFR Section 58.35(a)(3)(ii). The proposed actions herein substitute a portion of funding and do not change the proposed project as previously revised and approved. On March 8, 2016, the Housing Authority and the City of Sacramento each made the same environmental findings. Therefore, the recommended actions do not require further environmental review.

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

Section 1. All of the evidence having been duly considered, the facts as presented and stated above, including the environmental facts and findings, as stated above, are found to be true and correct and are hereby adopted.

Section 2. The Amended and Restated Loan Commitment, attached as Exhibit A, for financing the Project with $746,800 in HTF funds is approved, and the Agency is delegated the authority to execute and transmit the Amended and Restated Loan Commitment to 1702 Studio Housing Partners L.P. (Barone Galasso and Associates, Inc.) or related entity.

Section 3. The Agency is authorized to enter into and execute other documents, as approved to form by Agency Counsel, and to perform other actions necessary to fulfill the intent of the Amended and Restated Loan Commitment that accompanies this resolution, in accordance with its terms, and to ensure proper repayment of the Agency funds including without limitation, subordination, extensions consistent with Agency adopted policy and with this resolution.
Section 4. The Agency is authorized to amend the Agency budget and allocate up to $746,800 in HTF funds for the Project.

Table of Contents:
Exhibit A – Amended and Restated Loan Commitment Letter
Date: May 17, 2016

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

RE: Amended and Restated Conditional Loan Commitment for Pensione K

Dear Mr. Galasso:

On behalf of the Sacramento Housing and Redevelopment Agency (Agency), we are pleased to advise you of its commitment of permanent loan funds (Loan) comprised of $1,190,000 in City Home Investment Partnership Program (HOME) and $746,800 in City Housing Trust Funds (HTF) for the purpose of financing the acquisition, rehabilitation and development of certain real property known as Pensione K, located at 1100 17th Street, Sacramento, California (Property). The Agency's decision is based on your application, and all representations and information supplied by you to it. If these representations and information change in a material manner without written approval of the Agency, this commitment is void. Agency's obligation to make the Loan is subject to the satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

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

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

This commitment will expire March 8, 2017.

1. PROJECT DESCRIPTION: Pensione K (Project) is an existing 129-unit affordable development located in the Midtown area of Sacramento. Built in 1996, the Project
consists of 127 studio units and two one-bedroom manager units that comprise a four-
story wood frame residential building with an elevator and stucco exterior. On-site
amenities include a community room and kitchen, resident lounge, courtyard, and a 24
hour laundry facility. The development includes 23 open parking spaces, which are
accessible from an alley. There is commercial space on the ground level.

2. **BORROWER:** The name of the Borrower for the Loan is 1702 Studio Housing Partners
   L.P., a California limited partnership (Barone Galasso and Associates, Inc., LLC, or
   related entity).

3. **PURPOSE OF LOAN:** The Loan is to be used by Borrower solely to pay the costs of
   acquisition, rehabilitation, development, and for such other purposes as Agency expressly
   agrees to in the loan agreement for the Loan, and such other agreements as may be
generally required by the Agency for the use of the funding source for the Loan.

4. **PRINCIPAL AMOUNT:** The combined principal amount of the Loan will be the lesser
   of (a) $1,190,000 in HOME funds and $746,800 in HTF funds or (b) an amount to be
determined prior to close of the Loan based on a project budget approved by Agency.

5. **TERM OF LOAN:** The Loan shall mature 57 years or 684 months from the date of
   closing, at which point any and all unpaid principal and interest on the loan will be due
   and payable.

6. **INTEREST RATE:** The Loan will bear simple interest at four percent (4%) per annum.
   Interest shall be calculated on the basis of a 365-day year and actual number of days
   elapsed.

7. **ANNUAL REPAYMENT:** Monthly installments shall be made according to the
   structured payment schedule contained in the final Loan Agreement, calculated to achieve
   annual 1.2 debt coverage ratio. Monthly payments shall be applied first to outstanding
   interest accrued and unpaid and then to principal. All outstanding principal and interest is
due and payable on the maturity date.

8. **SOURCE OF LOAN FUNDS:**
   Agency is making the Loan from the following sources of funds, and the Loan is subject
   to all requirements related to the use of such, whether Agency requirements or otherwise:
   City HOME and HTF 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.
9. ACCELERATION: Agency shall have the right to accelerate repayment of the Loan in the event of a default under any Loan Document or upon sale, transfer or alienation of the Property except as specifically provided for in the Loan documents.

10. SECURITY: The Loan shall be evidenced by promissory note(s) secured by a deed of trust with assignment of rents against the fee and/or leasehold interest in the Property and Improvements, which shall be a lien upon the Property and Improvements subject only to liens senior to the Agency’s lien securing loans from Citibank and Royal Bank of Canada and such other items as the Agency may approve in writing. The Loan shall also be secured by security agreements. The Agency may subordinate said deeds of trust in order to accommodate completion of rehabilitation of the Property.

11. LEASE AND RENTAL SCHEDULE: All leases of the Property and Improvements shall be subject to Agency’s review and approval prior to execution. Borrower shall not deviate from the rental schedule presented in Borrower’s application for the Loan without Agency’s prior written approval; provided, however, that such approval shall not be required for annual adjustments to rental rates as permitted by the California Tax Credit Allocation Committee.

12. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than $2,399,796 in Low Income Housing Tax Credit Equity and no less than $195,000 in deferred developer fee. If LIHTC equity goes below $2,399,796 it must be offset by an increase in deferred developer fee.

13. EXTENSION PERIOD: The Project currently has a Housing Authority of the City of Sacramento (Housing Authority) Low/Moderate Tax Increment loan at 4% interest, with a total outstanding balance with accrued interest of approximately $189,628 which will mature in 2027. The Project has a second Low/Moderate Tax Increment loan at 3% interest, with a total outstanding balance with accrued interest of approximately $816,200 which will mature in 2027. The existing debt on the two Low/Moderate Tax Increment loans will be restructured and/or extended and assigned to a new limited partnership formed by Barone Galasso and Associates, Inc. Any restructuring of these loans and their associated documents includes extending their maturity to a date 55 years after the proposed rehabilitation of the Project. The Housing Trust Fund loan will be paid off at closing by the Developer.

14. OTHER FINANCING: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency’s liens, and which shall be otherwise on terms and conditions acceptable to Agency:
(a) As a condition precedent to disbursement of the remainder of the Agency loan, construction financing from a private lender(s) in an amount(s) sufficient to complete construction of the Property according to a scope of work as approved by Agency and made for a term not less than that specified in the Schedule of Performances for completion of construction, and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.

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

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

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

15. **EVIDENCE OF FUNDS:** Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its absolute discretion; and c) Agency’s contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.

16. **SOILS AND TOXIC REPORTS:** The proposed action has been analyzed in accordance with the California Environmental Quality Act (CEQA) and is categorically exempt under CEQA Guidelines Section 15301 which exempts actions on existing facilities, including rehabilitation and financing, where the use remains unchanged. It has also been analyzed in accordance with the National Environmental Policy Act (NEPA) and is categorically excluded pursuant to 24 CFR Section 58.35(a)(3)(ii) as it consists of the rehabilitation of a multifamily residential complex in which the unit density will not be changed by more than 20 percent and the estimated cost of rehabilitation is less than 75 percent of the cost of replacement after rehabilitation.

17. **LOAN IN BALANCE:** Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders or the equity investor are sufficient, in the sole judgement of the Agency, to pay for the remainder of the work to be done on the Project as required by written agreement with the Agency. Should the Agency determine that the Loan is not "in balance", the Agency may declare the Loan to be in default.
18. **PLANS AND SPECIFICATIONS:** Final plans and specifications, if any, for the Project must be in accordance with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the disbursement of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the Project.

19. **ARCHITECTURAL AGREEMENT:** The architectural agreement (Agreement), if any, for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.

20. **CONSTRUCTION CONTRACT:** The construction contract (Contract), if any, and any change orders issued thereunder, and the contractor (Contractor) to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Contract as security for the Loan. Agency may require Contractor to provide a performance and payment bond in a form acceptable to Agency for the amount of the Contract.

21. **RETENTION AMOUNT:** The Agency shall retain ten percent (10.0%) as retention from each disbursement, not to exceed a total of ten percent (10.0%) of the total amount of the Loan.

22. **COST BREAKDOWN:** Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements. The breakdown shall conform to the Project plans and specifications and the budget approved with this commitment. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency, Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

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

Agency shall make disbursements of the Loan based on a cost breakdown that lists line items in cost categories. Agency shall require that Borrower provide documentation supporting all requests for disbursement of Loan funds, including proof of work done and actual expenditure. Agency shall conduct inspections of the Property to assure that the work was done before making a disbursement.
23. **COST SAVINGS:** At completion of construction, Borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency. The cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the final sources of funding. If there is an aggregate savings, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Agency, after adjusting for any decrease in any funding source including any loss of any equity investment due to an adjustment in the allowable tax credits, the Agency shall withhold for itself as loan repayment, one-half of such savings from the amount of retention then held by the Agency, and the Loan balance shall be reduced by the amount so withheld. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency loan based upon this cost certification and the original approved budget for the Project.

24. **START OF CONSTRUCTION:** Borrower shall commence construction at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than sixty (60) days following the close of construction financing.

25. **COMPLETION OF CONSTRUCTION:** Borrower shall complete the construction of the Improvements no later than 24 months following the close of construction financing.

26. **SECURITY CAMERAS AND OUTSIDE LIGHTING:** Project shall include installation of a security camera system at vehicular driveways and additional exterior lighting, all as approved by the Agency.

27. **INSURANCE PROVIDER:** Each policy of insurance required under the Loan shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of A+ VII, which rating has been substantially the same or increasing for the last five (5) years, or such other equivalent rating, as may reasonably be approved by Lender's legal counsel.

28. **HAZARD INSURANCE:** Borrower shall procure and maintain fire and extended coverage insurance and during construction Builder's Risk completed value insurance in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS ($10,000.00).

29. **PUBLIC LIABILITY AND OTHER INSURANCE:** Borrower must procure and maintain public liability and property damage insurance (with Agency named as additional insured) in a form approved by Agency. Coverage must be approved by Agency and must be in at least the following limits of liability: (1) Commercial General
Liability insurance in Insurance Services Office (ISO) policy form CG 00 01 Commercial General Liability (Occurrence) or better with limits of liability, which are not less than $1,000,000, per occurrence limit; $5,000,000 general aggregate limit, and $5,000,000 products and completed operations aggregate limit, all per location of the Project; (2) Property damage liability of $1,000,000 each occurrence, $1,000,000 single limit and $1,000,000 aggregate; (3) Contractual liability for Bodily Injury of $1,000,000 each occurrence, for Property Damage of $1,000,000 each occurrence and $1,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of $1,000,000 aggregate; and (4) Comprehensive Automobile Liability for any vehicle used for or in connection with the Work of $1,000,000. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS ($10,000). Borrower must also procure and maintain workers' compensation and all other insurance required under applicable law, as required by law and as approved by Agency.

30. **TITLE INSURANCE:** Borrower must procure and deliver to Agency an ALTA Lender's Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to CLTA endorsement nos. 100, 116 and 102.5/102.7 insuring Agency in an amount equal to the principal amount of the Loan, that Agency's Deed of Trust constitutes a third lien or charge upon the Property and Improvements subject only to such items as shall have been approved by Agency. There must be no exceptions permitted for mechanics liens. Title insurance for the Loan must be issued by a title insurer approved by Agency.

31. **ORGANIZATIONAL AGREEMENTS:** Borrower must submit to Agency certified copies of all of Borrower's organizational documents, including all amendments, modifications or terminations: if a corporation, Borrower's Articles of Incorporation and By-Laws; if a partnership, its Partnership Agreement and, as applicable, Certificate of Limited Partnership or Statement of Partnership; if a Limited Liability Company, its Articles of Organization and its Operating Agreement; and in all cases with all exhibits and amendments to such documents, fictitious business name statements, other related filings or recorded documents and such related documents as Agency may request. If it is a corporation, Borrower must submit a corporate borrowing resolution referencing this Loan. If Borrower is other than a corporation, Borrower must submit such proof of authority to enter this Loan as may be required under the organizational documents.

32. **PURCHASE OF PROPERTY:** Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.

33. **FINANCIAL INFORMATION:** During the term of the Loan, Borrower shall deliver to Agency within 120 days of the end of each fiscal year an audited income and expense statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. During the term of the Loan, Borrower
must deliver to Agency a monthly rent-roll including household composition information and operating statements with respect to the Property and Improvements, as Agency may request.

34. MANAGEMENT AGREEMENT: Prior to execution, Borrower must submit to Agency any agreement providing for the management or operation of the Property or Improvements by a third party which agreement is subject to Agency Approval.

35. RESIDENT SERVICES AGREEMENT: Prior to execution, Borrower must submit to Agency any agreement providing for the resident services by a third party which agreement is subject to Agency Approval. The agreement must include a minimum of twenty (20) hours per week of on-site resident services.

36. LOW INCOME HOUSING TAX CREDITS (LIHTC): Borrower represents that as a condition of closing this Loan it is applying for an allocation of LIHTC’s and agrees to perform all actions and to meet all requirements to maintain the LIHTC allocation if granted.

37. SMOKE-FREE ENVIRONMENT: At least 50% of the units must be smoke free. All indoor common areas must be smoke-free.

38. DOCUMENTATION: This letter is not intended to describe all of the requirements, terms, conditions and documents for the Loan, which shall also include customary provisions and documents for an Agency transaction of this type. All documents to be delivered to or approved by Agency must be satisfactory to Agency in all respects. Borrower must promptly deliver to Agency any further documentation that may be required by Agency.

39. CONSISTENCY OF DOCUMENTS: As a material obligation under this commitment letter, Borrower shall assure that the loan documents for the Project are consistent with lender's commitment approved by the Agency and comply, in all respects, with this commitment letter.

40. CHANGES OR AMENDMENTS: No documents or contracts which are to be delivered to Agency or are subject to Agency's review or approval shall be modified or terminated without the prior written approval of Agency.

41. ACCEPTANCE OF THIS COMMITMENT: Borrower’s acceptance of this Commitment shall be evidenced by signing and delivering to Agency the enclosed copy of this letter. Until receipt of such acceptance by Agency, Agency shall have no obligation under this letter. Agency may withdraw this commitment at any time prior to Borrower’s acceptance.
Sincerely,

La Shelle Dozier  
Executive Director

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

Dated: May 17, 2016

BORROWER:

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

By: _________________________________  
   Michael B. Galasso, Principal
RESOLUTION NO. 2016 –
Adopted by the Housing Authority of the City of Sacramento

on date of

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

BACKGROUND

A. At its meeting of March 8, 2016, the Sacramento City Council approved an allocation of $1,190,000 in Home Investment Partnership Program (HOME) funds to assist in funding the acquisition, rehabilitation and permanent financing of Pensione K (Project).

B. The Project currently has a Housing Authority of the City of Sacramento (Housing Authority) Low/Moderate Tax Increment loan at 4% interest, with a total outstanding balance with accrued interest of approximately $189,628 which will mature in 2027. The Project also has a second Low/Moderate Tax Increment Housing Authority loan, with 3% interest, with a total outstanding balance with accrued interest of approximately $816,200 which will mature in 2027. The Developer has requested that this existing tax increment debt be restructured and/or extended and assigned to a new limited partnership formed by Barone Galasso and Associates, Inc. Any restructuring of the loans and associated documents includes extending their maturity to a date 55 years after the proposed rehabilitation of the Project.

C. The existing Project tax increment loans, due to the funding source (Low/Moderate Tax Increment funds) and related regulatory agreements, are housing assets under California Health and Safety Code Section 34176.

D. On April 1, 2013, the California Department of Finance issued its final determination related to the Housing Asset Transfer assets. This final determination included these existing tax increment loans.

E. The Project also currently has a City of Sacramento Housing Trust Fund Loan at 3% interest, with a total outstanding balance with accrued interest of approximately $746,800 which will mature in 2027.

F. On March 2, 2016, the Sacramento Housing and Redevelopment Commission found the project to be exempt in accordance with the California Environmental Quality Act (CEQA) pursuant to Guidelines Section 15301. The proposed actions herein substitute a portion of funding and do not change the proposed project as previously reviewed and approved. On March 8, 2016, the Housing Authority and the City of Sacramento each made the same environmental findings. Therefore, the recommended actions do not require further environmental review.
G. On March 2, 2016, the Sacramento Housing and Redevelopment Commission found the project to be exempt in accordance with the National Environmental Policy Act (NEPA) pursuant to 24 CFR Section 58.35(a)(3)(ii). The proposed actions herein substitute a portion of funding and do not change the proposed project as previously reviewed and approved. On March 8, 2016, the Housing Authority of the City of Sacramento and the City of Sacramento each made the same environmental findings. Therefore, the recommended actions do not require further environmental review.

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

**Section 1.** The facts as presented and stated in the Background above, including the environmental facts are found to be true and correct and are hereby adopted.

**Section 2.** The Executive Director, or designee, is authorized to restructure and/or extend the existing debt and assign it to a new limited partnership formed by Barone Galasso and Associates, Inc., extending the loans’ maturity to a date 55 years after completion of the proposed rehabilitation.

**Section 3.** The Executive Director, or designee, is authorized to execute the Amended and Restated Loan Commitment Letter and related documents with 1702 Studio Housing Partners L.P. (Barone Galasso and Associates, Inc.) or a related entity.

**Section 4.** The Executive Director, or designee, is authorized to release or amend and restate the outdated recorded restrictions associated with the original loan to be consistent with current, more comprehensive regulations and policies.

**Section 5.** The Executive Director, or designee, is authorized to consent to the assumption of the existing obligations by 1702 Studio Housing Partners L.P. (Barone Galasso and Associates, Inc.) or a related entity, in order to ensure the continued viability of the development.

**Section 6.** The Executive Director, or designee, is authorized to amend the Agency budget to receive the repayment of the principal and interest on the Housing Trust Fund loan back into the Housing Trust Fund for future use under that program.