Title: (City Council / Housing Authority) Approval of Reauthorized Loan Commitment for Twin Rivers Project

Location: Twin Rivers Development, District 3

Recommendation: Adopt: 1) a City Council Resolution which a) approves a loan commitment of $5,000,000 in City Housing Trust Funds (HTF) and $7,000,000 in Choice Neighborhoods Initiative (CNI) funds for the financing of Twin Rivers Block A (Project), b) authorizes the Sacramento Housing and Redevelopment Agency (Agency) to execute the Loan Commitment Letter with Twin Rivers Phase 1, L.P. (McCormack Baron Salazar, Inc.) or related entity, c) authorizes the Agency to execute all necessary documents associated with this transaction, d) authorizes the Agency to amend its budget, and e) makes related findings; and 2) a Housing Authority Resolution which a) approves a loan commitment of $2,000,000 in Housing Successor Funds to the Project, b) authorizes the Sacramento Housing and Redevelopment Agency to execute the Loan Commitment Letter with Twin Rivers Phase 1, L.P. (McCormack Baron Salazar, Inc.) or related entity, c) authorizes the Agency to execute all necessary documents associated with this transaction, d) authorizes the Agency to amend its budget, and e) makes related findings.

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

Presenter: None

Attachments:
1-Description/Analysis and Background
2-Vicinity Map
3-Project Rendering
4-Project Summary
5-Maximum Income and Rent Levels
6-City Council Loan Commitment Resolution
7-Exhibit A to City Council Resolution (Conditional Loan Commitment for Twin Rivers Block A)
8-Housing Authority Loan Commitment Resolution
9-Exhibit A to Housing Authority Resolution (Conditional Loan Commitment for Twin Rivers Block A)
Description/Analysis

Issue Detail: On January 9, 2018 City Council authorized the Agency to execute a Loan Commitment for $5,000,000 in City Housing Trust Funds (HTF) and the City Housing Authority Board authorized the Agency to execute a loan commitment of $2,000,000 in Housing Successor Funds and $7,000,000 in Choice Neighborhoods Initiative (CNI) funds to finance Twin Rivers Block A. The previous loan commitments expired on January 9, 2019 and this report seeks reauthorization of the loan commitments for the Twin Rivers Block A project.

Since January, 2018, the development plan for Twin Rivers Block A has changed from 107 units to 104 units to accommodate additional amenities. In addition, housing units are now restricted at 30%, 60% and 80% of the Area Median Income (AMI) with no market rate units. The adjustment in affordability levels allows the Project to bring in additional Low Income Housing Tax Credits to help close the funding gap created when the Project was unsuccessful in obtaining a $14 million loan through the State’s Affordable Housing and Sustainable Communities (AHSC) program. McCormick Baron Salazar Inc., the Project Developer, will be applying for California Department of Housing and Community Development (HCD) Multifamily Housing Program (MHP) funds to fill the remaining gap (see Attachment 4, Project Summary). Project costs have been lowered due to reduced City permit fees, reduced construction loan interest, lower real estate taxes, and reduced developer fee.

The Project is the first of up to six phases of development for the Twin Rivers public housing redevelopment project. When complete, the entire Twin Rivers community will consist of approximately 491 units with an array of units at varying affordability levels, including market rate and a minimum of 218 public housing replacement units.

In 2015, the County Housing Authority and the City were awarded a $30 million federal CNI Grant for the Twin Rivers Transit Oriented Development and Light Rail Station Project. This grant will support the housing program and master plan for Twin Rivers and include one-for-one replacement of all 218 Twin Rivers public housing units within a newly constructed, mixed-income community. A portion of these funds ($7,000,000) will support the development of this first phase.

The proposed Block A Project will include a total of eight buildings of various types including townhomes, multifamily, and garden-style walk-up buildings. Block A includes 104 units of 1-bedroom, 2-bedroom, 3-bedroom, and 4-bedroom apartments and 72 on-grade parking spaces. This initial phase will also contain a majority of the amenities for the entire 491-unit Twin Rivers community, including management offices, two resident community rooms, fitness center, business center with Wi-Fi, swimming pool, and barbeque area. A vicinity map is included as Attachment 2. A project rendering is included as Attachment 3.
Project Financing: In addition to the Agency loan and Housing Authority ground lease, the Project is anticipated to be financed with four percent Low Income Housing Tax Credits (LIHTCs), tax-exempt bond financing, a bank loan, a MHP loan from HCD, and a deferred developer fee. The law firm of Orrick, Herrington and Sutcliffe LLP, will serve as bond counsel to the Housing Authority.

Unit Affordability: As a condition of receiving tax credits and the benefits of tax-exempt bond financing, federal law requires that units be set aside for targeted income groups. Income restrictions from LIHTC financing require that 20 percent of the units have rents that are affordable to households with income up to 50 percent of Area Median Income (AMI). In addition, the U.S. Department of Housing and Urban Development (HUD) approved 56 replacement Project Based Vouchers for the public housing replacement units in the Block A Project.

Project affordability restrictions will be specified in regulatory agreements with the Developer. These anticipated project funding 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, Tax-exempt Bonds, Project Based Vouchers and Agency loan</td>
<td>54%</td>
<td>Extremely Low (30% AMI)</td>
<td>56</td>
<td>55 years</td>
</tr>
<tr>
<td>Low Income Housing Tax Credits, Tax-exempt Bonds, and Agency loan</td>
<td>25%</td>
<td>Low Income (60% AMI)</td>
<td>26</td>
<td>55 years</td>
</tr>
<tr>
<td>Low Income Housing Tax Credits, Tax-exempt Bonds and Agency loan</td>
<td>20%</td>
<td>Low Income (80% AMI)</td>
<td>21</td>
<td>55 years</td>
</tr>
<tr>
<td>Manager’s Unit</td>
<td>1%</td>
<td>Unrestricted</td>
<td>1</td>
<td>N/A</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td></td>
<td>104</td>
<td></td>
</tr>
</tbody>
</table>

A project summary, including proposed sources and uses of funds, is included as Attachment 4. A schedule of maximum incomes and rents is included as Attachment 5.

Policy Considerations: The recommended actions are consistent with a) the Agency’s previously approved Multifamily Lending and Mortgage Revenue Bond Policies, priority 1. Preservation (Resolution No. 2009-148); b) the 2013-2021 Housing Element, which encourages the provision of a variety of quality housing types to encourage neighborhood
stability, including options for extremely low-income households (Resolution No. 2013-415); c) 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 d) 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 project is expected to create 442.42 total jobs (250.70 direct jobs and 191.71 jobs through indirect and induced activities) and create $36,868,219 in total economic output ($22,473,476 of direct output and another $14,394,742 of output through indirect and induced activities).

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:**

**The California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA):** A combined Initial Study/Environmental Assessment (IS/EA) was prepared for the Twin Rivers Transit-Oriented Development Project pursuant to CEQA requirements under Title 14, §15070 of the California Code of Regulations (CCR), and NEPA requirements under Title 24, Code of Federal Regulations (CFR) Part 58.36. Along with site entitlements, the Planning and Design Commission for the City of Sacramento made findings pursuant to CEQA and adopted the Mitigated Negative Declaration (MND) and associated Mitigation Monitoring and Reporting Program (MMRP) on July 27, 2017. A Notice of Determination (NOD) pursuant to CEQA and a Finding of No Significant Impact (FONSI) pursuant to NEPA were issued. All activities for the Twin Rivers Transit-Oriented Development Project are covered by this environmental review. No further environmental review is required for the proposed actions.

**Sustainability:** The Project has been reviewed for consistency with the goals, policies, and targets of the 2035 General Plan. If approved, the project will advance the following goals, policies, and targets that will directly or indirectly conserve energy resources and reduce greenhouse gas emissions, in part, from the 2035 General Plan: a) Housing
Element – Strategies and Policies for Conserving Energy Resources – Climate Action Plan, subsection 7.2: improving the energy efficiency in new buildings; and b) Environmental Resources - Air Quality and Climate Change sub-section 6.1.7: reduce greenhouse gas emissions from new development, promoting water conservation and recycling, promoting development that is compact, mixed use, pedestrian friendly, and transit oriented; and promoting energy-efficient building design and site planning.

**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:** The Authority will receive a one-time issuance fee of 0.25 percent of the bond amount (25 basis points), which is payable at bond closing, and annual payments 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 55 years. The Developer will be responsible for payment of all costs, fees, and deposits relating to the bond application. Mortgage revenue bonds do not represent a financial obligation of the Agency, Housing Authority, or City of Sacramento. The Agency financing consists of an Agency loan of $5,000,000 in City Housing Trust Funds, $2,000,000 in Housing Successor Funds, and $7,000,000 in Choice Neighborhood Initiative funds. The Housing Authority will provide a ground lease option of $407,800. The Loan Commitment is included as Exhibit A to both the City Council and Housing Authority resolutions.

**Local Business Enterprise (LBE):** Minority and Women’s Business Enterprise 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 work with the Agency, the Sacramento Employment and Training Agency and the Greater Sacramento Urban League or similar programs, for employment opportunities.
# Twin Rivers - Block A
## Project Summary

### Address
321 Eliza Street Sacramento, CA 95811

### Number of Units
104

### Construction Type
New Construction

### Affordability
- 56 units at or below 30% of AMI (PBV Public Housing Replacement)
- 26 LIHTC units at or below 60% of AMI
- 21 units at or below 80% of AMI
- 1 unregulated Manager’s Unit

### Unit Mix and Rents

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>PBV (30% AMI)</th>
<th>LIHTC (60% AMI)</th>
<th>LIHTC (80% AMI)</th>
<th>Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Bedroom / 1 Bath</td>
<td>22</td>
<td>1</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>2 Bedroom / 1 Bath</td>
<td>17</td>
<td>25</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>3 bedroom / 2 Bath</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>3 Townhouse / 2.5 Bath</td>
<td>14</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>4 bedroom / 2 Bath</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>56</strong></td>
<td><strong>26</strong></td>
<td><strong>21</strong></td>
<td><strong>1</strong></td>
</tr>
</tbody>
</table>

### Square Footage

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>Per Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Bedroom / 1 Bath</td>
<td>567</td>
<td>22,113 sq ft</td>
</tr>
<tr>
<td>2 Bedroom / 1 Bath</td>
<td>790</td>
<td>37,920 sq ft</td>
</tr>
<tr>
<td>3 bedroom / 2 Bath</td>
<td>1,089</td>
<td>2,178 sq ft</td>
</tr>
<tr>
<td>3 Townhouse / 2.5 Bath</td>
<td>1,228</td>
<td>17,162 sq ft</td>
</tr>
<tr>
<td>4 bedroom / 2 Bath</td>
<td>1,293</td>
<td>1,293 sq ft</td>
</tr>
<tr>
<td>Common Areas</td>
<td></td>
<td>13,324 sq ft</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>94,020 sq ft</strong></td>
</tr>
</tbody>
</table>

### Resident Facilities
The project includes a community park, management offices, resident community space, a fitness center, swimming pool and BBQ area.

### 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>Senior Lender</td>
<td>$5,594,560</td>
<td>$53,794</td>
<td>$59.50</td>
</tr>
<tr>
<td>HCD TCC Loan</td>
<td>$1,000,000</td>
<td>$9,615</td>
<td>$10.64</td>
</tr>
<tr>
<td>Agency Loan</td>
<td>$7,000,000</td>
<td>$67,308</td>
<td>$74.45</td>
</tr>
<tr>
<td>CNI HACOS</td>
<td>$7,000,000</td>
<td>$67,308</td>
<td>$74.45</td>
</tr>
<tr>
<td>MHP</td>
<td>$7,117,500</td>
<td>$68,438</td>
<td>$75.70</td>
</tr>
<tr>
<td>Tax Credit Equity</td>
<td>$20,003,000</td>
<td>$192,913</td>
<td>$213.39</td>
</tr>
<tr>
<td>Capitalized Ground Lease</td>
<td>$367,020</td>
<td>$3,529</td>
<td>$3.90</td>
</tr>
<tr>
<td>Deferred Developer Fee</td>
<td>$1,000,000</td>
<td>$9,615</td>
<td>$10.64</td>
</tr>
<tr>
<td><strong>TOTAL SOURCES</strong></td>
<td>$49,142,080</td>
<td>$472,520</td>
<td>$522.68</td>
</tr>
</tbody>
</table>

### Permanent Uses

<table>
<thead>
<tr>
<th>Use</th>
<th>Current Total</th>
<th>Per Unit</th>
<th>Per Sq Ft</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ground Lease</td>
<td>$407,800</td>
<td>$3,921</td>
<td>$4.34</td>
</tr>
<tr>
<td>Construction</td>
<td>$36,868,219</td>
<td>$354,502</td>
<td>$392.13</td>
</tr>
<tr>
<td>Permits</td>
<td>$1,191,743</td>
<td>$11,459</td>
<td>$12.68</td>
</tr>
<tr>
<td>Architecture and Engineer</td>
<td>$1,962,000</td>
<td>$18,865</td>
<td>$20.87</td>
</tr>
<tr>
<td>Soft Cost Contingency</td>
<td>$424,863</td>
<td>$4,085</td>
<td>$4.62</td>
</tr>
<tr>
<td>Hard Cost Contingency</td>
<td>$1,771,127</td>
<td>$17,030</td>
<td>$18.84</td>
</tr>
<tr>
<td>First Mortgage Interest</td>
<td>$1,047,000</td>
<td>$10,067</td>
<td>$11.14</td>
</tr>
<tr>
<td>Legal</td>
<td>$480,000</td>
<td>$4,615</td>
<td>$5.11</td>
</tr>
<tr>
<td>Financing Costs</td>
<td>$573,246</td>
<td>$5,512</td>
<td>$6.10</td>
</tr>
<tr>
<td>Operating Reserves</td>
<td>$312,300</td>
<td>$3,003</td>
<td>$3.32</td>
</tr>
<tr>
<td>Developer Fee</td>
<td>$2,540,000</td>
<td>$24,423</td>
<td>$27.02</td>
</tr>
<tr>
<td>Insurance, Third Party, Marketing, Other</td>
<td>$1,563,782</td>
<td>$15,036</td>
<td>$16.63</td>
</tr>
<tr>
<td><strong>TOTAL USES</strong></td>
<td>$49,142,080</td>
<td>$472,520</td>
<td>$522.68</td>
</tr>
</tbody>
</table>

### Management / Operations

<table>
<thead>
<tr>
<th>Proposed Developer: McCormack Baron Salazar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Management Company: McCormack Baron Management</td>
</tr>
<tr>
<td>Operations Budget: $502,811</td>
</tr>
<tr>
<td>Taxes: $37,949</td>
</tr>
<tr>
<td>Security: $24,440</td>
</tr>
<tr>
<td>Property Management: $69,333</td>
</tr>
<tr>
<td>Resident Services: $19,373</td>
</tr>
<tr>
<td>Replacement Reserves: $52,000</td>
</tr>
</tbody>
</table>
MAXIMUM LIHTC INCOME AND RENT LEVELS 2018
Rents at 30% and 60% of Area Median Income (AMI)

Maximum Income Limits:

<table>
<thead>
<tr>
<th>Family Size</th>
<th>30% AMI</th>
<th>60% AMI</th>
<th>80% AMI</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 person</td>
<td>$16,830</td>
<td>$33,660</td>
<td>$44,880</td>
</tr>
<tr>
<td>2 person</td>
<td>$19,230</td>
<td>$38,460</td>
<td>$51,280</td>
</tr>
<tr>
<td>3 person</td>
<td>$21,630</td>
<td>$43,260</td>
<td>$57,680</td>
</tr>
<tr>
<td>4 person</td>
<td>$24,030</td>
<td>$48,060</td>
<td>$64,080</td>
</tr>
<tr>
<td>5 person</td>
<td>$25,980</td>
<td>$51,960</td>
<td>$69,280</td>
</tr>
<tr>
<td>6 person</td>
<td>$27,900</td>
<td>$55,800</td>
<td>$74,400</td>
</tr>
<tr>
<td>7 person</td>
<td>$29,820</td>
<td>$59,640</td>
<td>$79,520</td>
</tr>
</tbody>
</table>

Maximum Rent Limits:
Low Income Housing Tax Credits (LIHTCs)

<table>
<thead>
<tr>
<th>Unit Size</th>
<th>Gross Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30% AMI</td>
</tr>
<tr>
<td>1 Bedroom</td>
<td>$450</td>
</tr>
<tr>
<td>2 Bedroom</td>
<td>$540</td>
</tr>
<tr>
<td>3 Bedroom</td>
<td>$625</td>
</tr>
<tr>
<td>4 Bedroom</td>
<td>$697</td>
</tr>
</tbody>
</table>
RESOLUTION NO. 2019 -  
Adopted by the Sacramento City Council  

On date of  

TWIN RIVERS PHASE 1: APPROVAL OF $5,000,000 IN CITY HOUSING TRUST FUNDS, $7,000,000 IN CHOICE NEIGHBORHOODS INITIATIVE FUNDS; EXECUTION OF COMMITMENT AND RELATED DOCUMENTS WITH TWIN RIVERS PHASE 1, L.P. (MCCORMACK BARON SALAZAR, INC.) OR RELATED ENTITY; RELATED BUDGET AMENDMENT; AND ENVIRONMENTAL FINDINGS  

BACKGROUND  

A. Twin Rivers Phase 1, L.P. (McCormack Baron Salazar, Inc.) (Developer) has applied for an allocation of $5,000,000 in City Housing Trust Funds (HTF), $2,000,000 in Housing Successor Funds, and $7,000,000 in Choice Neighborhoods Initiative (CNI) funds from the Sacramento Housing and Redevelopment Agency (Agency) to assist in funding the construction and permanent financing of Twin Rivers Phase 1, which will be new construction of a mixed-use, mixed-income development located in the Twin Rivers district.  

B. On September 28, 2015, the US Department of Housing and Urban Development (HUD) awarded the Housing Authority of the County of Sacramento (HACOS) as Lead Applicant, and the City of Sacramento as Co-Applicant, a $30 million CNI Grant to implement the Twin Rivers-River District/Railyards Neighborhood Transformation Plan. On December 15, 2015, HACOS and the City of Sacramento executed the FYs 2014-2015 CNI Implementation Grant Agreement with HUD.  

C. The recommended actions are consistent with a) the Agency’s previously approved Multifamily Lending and Mortgage Revenue Bond Policies, priority 4. Rehabilitation and New Production (Resolution No. 2009-148); b) the 2013-2021 Housing Element, which encourages the provision of a variety of quality housing types to encourage neighborhood stability, including options for extremely low-income households (Resolution No. 2013-415); c) 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 d) the Downtown Housing Initiative and Initiation of the Downtown Specific Plan, to bring 10,000 places to live to Downtown Sacramento by 2025 (Resolution No. 2015-282).  

D. In accordance with the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA) and their implementing regulations, a combined Initial Study/Environmental Assessment (IS/EA) has been prepared for the proposed project, and said IS/EA has disclosed no negative impacts of the proposed project upon the environment which cannot be mitigated to less than significant.
E. In accordance with CEQA, a Mitigated Negative Declaration (MND) has been prepared and disseminated pursuant to 14 CCR §§15070-15073, and, in accordance with NEPA, a Finding of No Significant Impact (FONSI) has been prepared and disseminated pursuant to 24 CFR §§58.40-58.45 for the proposed project.

F. On July 27, 2017, along with site entitlements, the City Planning and Design Commission made findings pursuant to CEQA and adopted the MND and associated Mitigation Monitoring and Reporting Program.

G. On August 7, 2017, a Notice of Determination was filed by the City of Sacramento as Lead Agency.

H. No further review under CEQA or NEPA is required for activities in furtherance of the Twin Rivers Transit-Oriented Development Project.

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.

Section 2. The Loan Commitment, as attached (Exhibit A), for financing the Project with $5,000,000 in HTF and $7,000,000 in CNI funds is approved, and the Agency is authorized to execute and transmit the Loan Commitment to Twin Rivers Phase 1, L.P. (McCormack Baron Salazar, 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 perform other actions necessary to fulfill the intent of the 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 its budget and allocate up to $5,000,000 in HTF funds and $7,000,000 in CNI funds to Twin Rivers Block A.

Table of Contents:
Exhibit A: Twin Rivers Block A Commitment Letter
Date: April 23, 2019

McCormack Baron Salazar, Inc.
Daniel Falcon, Managing Director
801 S. Grand Ave., Suite 780
Los Angeles, CA 90017-4635

RE: Conditional Funding Commitment for Twin Rivers Block A

Dear Mr. Falcon:

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 $5,000,000 in City Housing Trust Funds (HTF), $2,000,000 in Housing Successor Funds and $7,000,000 in Choice Neighborhood Initiative (CNI) Funds for the purpose of financing the development of that certain real property known as Twin Rivers Block A located at 321 Eliza Way, 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. Loan terms not in this funding commitment and the attached loan document forms shall not 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 April 23, 2021.

1. PROJECT DESCRIPTION: Twin Rivers Block A(Project) is a new construction, mixed-income housing development. The Project is the first phase of development for the
multiphase Twin Rivers public housing redevelopment. The Project will be composed of townhouses, multifamily and garden-style walk-up buildings. There are a total of 8 buildings in the Project, in addition to 72 on-grade parking spaces. There will be 104 units comprised of 1-bedroom, 2-bedroom, 3-bedroom, and 4-bedroom units. The Project will contain a majority of the amenities for the entire Twin Rivers community, including management offices, resident community room, a fitness center, a business center with Wi-Fi, swimming pool and barbeque area.

2. **BORROWER**: The name of the Borrower for the Loan is Twin Rivers Phase 1, L.P., a California limited partnership (McCormack Baron Salazar, Inc., or related entity).

3. **PURPOSE OF LOAN**: The Loan is to be used by Borrower solely to pay the costs of 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) $14,000,000 (Fourteen Million Dollars), 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**: Annual principal and interest payments shall be made according to the structured payment schedule contained in the final Loan Agreement, calculated to achieve annual 1.2 debt coverage ratio. 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. Notwithstanding the preceding payment schedule, no payments shall be made on this Loan until the full balance of principal and interest on the capitalized ground lease seller carryback loan made by the Housing Authority of the County of Sacramento to the Borrower pursuant to the Master Development Agreement is paid in full.

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: $5,000,000 in City Housing Trust Funds (HTF), $2,000,000 in Housing Successor Funds and $7,000,000 in Choice Neighborhoods Initiative (CNI) 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)

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 Wells Fargo Affordable Housing Community Development Corporation and US Bank Community Development Corporation 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 construction 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 $20,063,000 in LIHTC Equity and no less than $1,000,000 in deferred developer fee. If LIHTC equity goes below $20,063,000, the equity must be offset by an increase 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:

(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.

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 has submitted to the Agency 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 E1527-13) 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 will be 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 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.

17. **PLANS AND SPECIFICATION:** Final plans and specifications, if any, for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the disbursal of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the
approved plans and specifications or any material deviation in construction of the project. The final plans shall incorporate all related mitigation measures, environmental conditions required, if any, for compliance with approvals under CEQA, and/or NEPA, or the U.S. Department of Housing and Urban Development as conditions of approval of the project.

18. **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.

19. **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.

20. **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.

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

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

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

22. **COST SAVINGS:** At completion of construction, Borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which cost
certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the 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.

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

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

25. **SECURITY CAMERAS AND OUTSIDE LIGHTING:** Project shall include installation of a security camera system, exterior lighting, and security patrols, all as approved by the Agency.

26. **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.

27. **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).

28. **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.

29. **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.

30. **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.

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

32. **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.

33. **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.

34. **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 fifteen (15) hours of on-site resident services.

35. **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.

36. **SMOKE-FREE ENVIRONMENT:** At least 50% of the buildings but no less than 50% of the units must be smoke free. All indoor common areas must be smoke-free.

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.
Sincerely,

La Shelle Dozier
Executive Director

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

Dated: April 23, 2019

BORROWER:

Twin Rivers Phase 1, a California limited partnership

By: _________________________________
   Daniel Falcon, Managing Director
RESOLUTION NO. 2019 -

Adopted by the Housing Authority of the City of Sacramento

On date of

TWIN RIVERS PHASE 1: APPROVAL OF $2,000,000 IN HOUSING SUCCESSOR FUNDS, EXECUTION OF COMMITMENT AND RELATED DOCUMENTS WITH TWIN RIVERS PHASE 1, L.P. (MCCORMACK BARON SALAZAR, INC.) OR RELATED ENTITY; RELATED BUDGET AMENDMENT; AND ENVIRONMENTAL FINDINGS

BACKGROUND

A. Twin Rivers Phase 1, L.P. (McCormack Baron Salazar, Inc.) (Developer) has applied for an allocation of $5,000,000 in City Housing Trust Funds (HTF), $2,000,000 in Housing Successor Funds, and $7,000,000 in Choice Neighborhoods Initiative (CNI) funds from the Sacramento Housing and Redevelopment Agency (Agency) to assist in funding the construction and permanent financing of Twin Rivers Phase 1, which will be new construction of a mixed-use, mixed-income development located in the Twin Rivers district.

B. The recommended actions are consistent with a) the Agency’s previously approved Multifamily Lending and Mortgage Revenue Bond Policies, priority 1. Preservation (Resolution No. 2009-148); b) the 2013-2021 Housing Element, which encourages the provision of a variety of quality housing types to encourage neighborhood stability, including options for extremely low-income households (Resolution No. 2013-415); c) 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 d) the Downtown Housing Initiative and Initiation of the Downtown Specific Plan, to bring 10,000 places to live to Downtown Sacramento by 2025 (Resolution No. 2015-282).

C. In accordance with the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA) and their implementing regulations, a combined Initial Study/Environmental Assessment (IS/EA) has been prepared for the proposed project, and said IS/EA has disclosed no negative impacts of the proposed project upon the environment which cannot be mitigated to less than significant.

D. In accordance with CEQA, a Mitigated Negative Declaration (MND) has been prepared and disseminated pursuant to 14 CCR §§15070-15073, and, in accordance with NEPA, a Finding of No Significant Impact (FONSI) has been prepared and disseminated pursuant to 24 CFR §§58.40-58.45 for the proposed project.

E. On August 22, 2017, the County Board of Supervisors made findings pursuant to CEQA and adopted the MND and associated Mitigation Monitoring and Reporting Program.
F. On August 7, 2017, a Notice of Determination was filed by the City of Sacramento as Lead Agency.

G. No further review under CEQA or NEPA is required for activities in furtherance of the Twin Rivers Transit-Oriented Development Project.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO 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.

Section 2. The Loan Commitment, as attached (Exhibit A), for financing the Project with $2,000,000 in Housing Successor Funds is approved, and the Agency is authorized to execute and transmit the Loan Commitment to Twin Rivers Phase 1, L.P. (McCormack Baron Salazar, 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 perform other actions necessary to fulfill the intent of the Loan Commitment that accompanies the City Council 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 this resolution.

Section 4. The Agency is authorized to amend its budget and allocate up to with $2,000,000 in Housing Successor Funds to Twin Rivers Block A.

**Table of Contents:**
Exhibit A: Twin Rivers Block A Commitment Letter
Date: April 23, 2019

McCormack Baron Salazar, Inc.
Daniel Falcon, Managing Director
801 S. Grand Ave., Suite 780
Los Angeles, CA 90017-4635

RE: Conditional Funding Commitment for Twin Rivers Block A

Dear Mr. Falcon:

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 $5,000,000 in City Housing Trust Funds (HTF), $2,000,000 in Housing Successor Funds and $7,000,000 in Choice Neighborhood Initiative (CNI) Funds for the purpose of financing the development of that certain real property known as Twin Rivers Block A located at 321 Eliza Way, 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. Loan terms not in this funding commitment and the attached loan document forms shall not 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 April 23, 2021.

1. PROJECT DESCRIPTION: Twin Rivers Block A (Project) is a new construction, mixed-income housing development. The Project is the first phase of development for the
multiphase Twin Rivers public housing redevelopment. The Project will be composed of
townhouses, multifamily and garden-style walk-up buildings. There are a total of 8 buildings
in the Project, in addition to 72 on-grade parking spaces. There will be 104 units comprised
of 1-bedroom, 2-bedroom, 3-bedroom, and 4-bedroom units. The Project will contain a
majority of the amenities for the entire Twin Rivers community, including management
offices, resident community room, a fitness center, a business center with Wi-Fi, swimming
pool and barbeque area.

2. **BORROWER:** The name of the Borrower for the Loan is Twin Rivers Phase 1, L.P., a
   California limited partnership (McCormack Baron Salazar, Inc., or related entity).

3. **PURPOSE OF LOAN:** The Loan is to be used by Borrower solely to pay the costs of
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) $14,000,000 (Fourteen Million Dollars), 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:** Annual principal and interest payments shall be made according
to the structured payment schedule contained in the final Loan Agreement, calculated to
achieve annual 1.2 debt coverage ratio. 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. Notwithstanding the preceding payment schedule, no payments
shall be made on this Loan until the full balance of principal and interest on the capitalized
ground lease seller carryback loan made by the Housing Authority of the County of
Sacramento to the Borrower pursuant to the Master Development Agreement is paid in full.

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:
   $5,000,000 in City Housing Trust Funds (HTF), $2,000,000 in Housing Successor Funds and
   $7,000,000 in Choice Neighborhoods Initiative (CNI) 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)

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 Wells Fargo Affordable Housing Community Development Corporation and US Bank Community Development Corporation 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 construction 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 $20,063,000 in Low Income Housing Tax Credit Equity and no less than $1,000,000 in deferred developer fee. If LIHTC equity goes below $20,063,000, the equity must be offset by an increase 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:

(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.

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 has submitted to the Agency 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 E1527-13) 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 will be 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 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.

17. PLANS AND SPECIFICATION: Final plans and specifications, if any, for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency’s final approval prior to the disbursal of Agency Loan funds. Borrower must obtain Agency’s prior written consent to any change in the
approved plans and specifications or any material deviation in construction of the project. The final plans shall incorporate all related mitigation measures, environmental conditions required, if any, for compliance with approvals under CEQA, and/or NEPA, or the U.S. Department of Housing and Urban Development as conditions of approval of the project.

18. **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.

19. **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.

20. **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.

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

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

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

22. **COST SAVINGS:** At completion of construction, Borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which cost
certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the 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.

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

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

25. **SECURITY CAMERAS AND OUTSIDE LIGHTING:** Project shall include installation of a security camera system, exterior lighting, and security patrols, all as approved by the Agency.

26. **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.

27. **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).

28. **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.

29. **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.

30. **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.

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

32. **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.

33. 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.

34. 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 fifteen (15) hours of on-site resident services.

35. 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.

36. SMOKE-FREE ENVIRONMENT: At least 50% of the buildings but no less than 50% of the units must be smoke free. All indoor common areas must be smoke-free.

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.
Sincerely,

La Shelle Dozier
Executive Director

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

Dated: April 23, 2019

BORROWER:

Twin Rivers Phase 1, a California limited partnership

By: _________________________________
    Daniel Falcon, Managing Director