

RESOLUTION NO. 2014-0180

Adopted by the Sacramento City Council

June 10, 2014

SIERRA VISTA APARTMENTS REHABILITATION ("PROJECT"): APPROVAL OF CITY HOME INVESTMENT PARTNERSHIP PROGRAM ("HOME") LOAN COMMITMENT NOT TO EXCEED \$1,400,000; APPROVAL OF CITY COMMUNITY DEVELOPMENT BLOCK GRANT ("CDBG") LOAN COMMITMENT OF \$800,000; EXECUTION OF RELATED LOAN COMMITMENTS AND RELATED DOCUMENTS WITH SIERRA VISTA HOUSING ASSOCIATES, LP, OR RELATED ENTITY; RELATED BUDGET AMENDMENTS; AND ENVIRONMENTAL FINDINGS

BACKGROUND

- A. Sierra Vista Housing Associates, LP, ("Developer") is a single-asset tax credit investment partnership formed to finance and rehabilitate the Sierra Vista Senior Apartments. The Developer's managing general partner is Sierra Vista Housing Associates LLC whose members are Sacramento Housing Authority Repositioning Program, Inc. ('SHARP") and an affiliate of BRIDGE Housing Corporation ("BRIDGE"). Developer has applied for an allocation of Two Million Two Hundred Thousand Dollars (\$2,200,000) comprised of not more than \$1,400,000 of City Home Investment Partnership Program ("HOME") funds and \$800,000 of City Community Development Block Grant Multifamily Residential CDBG funds ("Loan Commitment") to provide permanent financing of the 78-unit Sierra Vista apartment rehabilitation project ("Sierra Vista" or "Project") at 1107 23rd Street.
- B. SHARP and BRIDGE have entered into a ground lease and purchase option to acquire the Project dated February 14, 2014.
- C. The Project qualifies for HOME and CDBG funds under the Sacramento Housing and Redevelopment Agency ("Agency") guidelines.
- D. The Developer has also applied for rehabilitation and construction financing in the form of seller financing ("Carryback Loan Commitment") from the Agency on behalf of the Housing Authority of the City of Sacramento ("Housing Authority") in an amount of \$6,400,000 as justified by fair market value appraisal.
- E. Underwriting analysis of funding needed to comprehensively rehabilitate Sierra Vista for continued service life indicates the need for the gap financing being sought by the Developer.

F. The Agency has considered environmental impacts of the project in accordance with California Environmental Quality Act (CEQA) and has determined that the Project is exempt due to CECA §15301, where rehabilitation to the existing facility involves no expansion or change to the existing use. Review under the National Environmental Policy Act (NEPA) is currently underway and will be completed prior to any choice limiting action.

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 findings, including the environmental findings, as stated above, are found to be true and correct.
- Section 2. That the Sierra Vista Project is a priority housing project.
- Section 3. The Loan Commitment letter, attached as Exhibit A, for financing the Project with up to \$1,400,000 of City HOME funds and \$800,000 of CDBG funds is approved.
- Section 4. The Sacramento Housing and Redevelopment Agency (Agency) is delegated authority to execute and transmit the Loan Commitment to SHARP and Bridge (Developer) upon evidence of withdrawal by Developer of the pending 9% tax credit application and award for the Sutterview Project. The Executive Director is authorized to executed and transmit the Loan Commitment to Developer as attached as Exhibit A.
- Section 5. The Agency is authorized to amend the Agency budget and allocate up to \$1,400,000 in City HOME funds to the Project.
- Section 6. The Agency is authorized to amend the Agency budget and allocate up to \$600,000 in City CDBG funds to the Project and \$200,000 in City CDBG Multifamily Revolving Loan Funds.
- Section 7. The City will set a public hearing on July 15, 2014, at which time Agency staff will recommend an allocation of \$850,000 in CDBG Single Family Housing and Economic Development Revolving Loan Fund for the Sierra Vista Project.

Table of Contents

Exhibit A: Loan Commitment Letter

Adopted by the City of Sacramento City Council on June 10, 2014, by the following vote:

Ayes: Members Cohn, Fong, Hansen, McCarty, Pannell, and Schenirer

Noes: Member Warren

Abstain: None

Absent: Members Ashby and Mayor Johnson

Attest:

Shirley A. Concolino Digitally signed by Shirley A. Concolino
DN: cn=Shirley A. Concolino, o=City of Sacramento, ou=City
Clerk, email=sconcolino@cityofsacramento.org, c=US
Date: 2014.06.24 16:07:27 -07'00'

Shirley Concolino, City Clerk

June 10, 2014

James Shields, President
Sacramento Housing Authority Repositioning Program, Inc. ("SHARP")
801 12th Street, 5th Floor
Sacramento, CA 95814

Ann Silverberg, Senior Vice President
BRIDGE Housing Corporation
345 Spear Street, 7th Floor
San Francisco, CA 94105

RE: Conditional funding commitment, Sierra Vista Apartments, 1107 23rd Street,
Sacramento, CA

Dear Mr. Shields and Ms. Silverberg:

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 \$800,000 in City Community Development Block Grant Multifamily ("CDBG") funds and \$1,400,000 in City Home Investment Partnership Program ("HOME") funds for the purpose of financing the rehabilitation of that certain real property located at 1107 23rd Street, Sacramento California ("Property"). Agency's decision is based on your application, and all representations and information supplied by you to it. If these representations and information change in a material manner without written approval of Agency, this commitment is void. Agency's obligation to make the Loan is subject to satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

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

Unless otherwise agreed in writing by the Agency in exercise of its absolute discretion, the following shall be considered conditions to Agency approval of a financing commitment. The

Agency may, in exercise of its absolute discretion, modify its requirements upon written notice to Borrower given at least sixty days prior to close of escrow for the Property.

This commitment will expire on July 1, 2015.

1. PROJECT DESCRIPTION: The project is the acquisition and comprehensive rehabilitation of the existing, nine-story, 78-unit, Sierra Vista Apartments. One apartment unit will be an unrestricted manager's unit, and the remaining 77 apartments will be restricted to seniors earning less than 50 percent of the area median income ("AMI").
2. BORROWER: The name of the Borrower for the Loan is Sierra Vista Housing Associates, LP or a similarly named related entity in which the general partner will initially be a limited liability company comprised of Sacramento Housing Authority Relocation Program, Inc. ("SHARP") and an affiliate of BRIDGE Housing Corporation.
3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely to pay the costs of permanent financing, or for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, and such other agreements as may be generally required by the Agency for the use of the funding source for the Loan.
4. PRINCIPAL AMOUNT: The combined principal amount of the Loan will be the lesser of (a) Two Million Two Hundred Thousand (\$2,200,000), 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 unpaid balance of the Loan will be all due and payable at a maturity date of 55 years (660 months) from the date of the first disbursement, 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 interest at Zero Percent (0%) per annum. Interest shall be calculated on the basis of a 365-day year and actual days elapsed.
7. LOAN 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. Notwithstanding the preceding payment schedule, no payments shall be made on this Loan until the full balance of principal and interest on the seller carryback loan made by the Housing Authority of the City of Sacramento to the Borrower pursuant to a commitment letter dated the same date as this commitment letter 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: a) City Community Development Block Grant Multifamily (“CDBG”) funds; and b) City Home Investment Partnership Program (“HOME”) funds. This Loan is conditioned upon Borrower’s acceptance of Agency’s requirements and conditions related to such lending programs and funding sources, including among others, the required forms of agreements for the Loan; the requirements for covenants, conditions and restrictions upon the Property; and insurance and indemnity requirements.

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

_____ (Borrower Initial)

Borrower acknowledges that every contract for new construction or rehabilitation construction of housing that includes 12 or more units assisted with HOME funds will contain a provision requiring the payment of not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act (40 U.S.C. 276a-5), to all laborers and mechanics employed in the development of any part of the housing. Such contracts must also be subject to the overtime provisions, as applicable, of the Contract Work Hours and Safety Standards Act (40 U.S.C. 3701-3708); (24 C.F.R. 92.354). Borrower also acknowledges that any project containing a “subsidy” may be subject to state prevailing wages, which are the responsibility of the Borrower and Borrower’s contractor.

_____ (Borrower Initial)

9. ACCELERATION: Agency shall have the right to accelerate repayment of the Loan in the event of a default under any Loan Document or upon sale, transfer or alienation of the Property except as specifically provided for in the Loan documents.
10. SECURITY: The Loan shall be evidenced by promissory note(s) secured by a deed of trust with assignment of rents against the fee and/or leasehold interest in the Property and Improvements, which shall be a second lien upon the Property and Improvements subject only to the tax-exempt permanent loan 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: The Agency shall have the right to review all leases of the Property and Improvements 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 \$8,500,000 from sources including Low Income Housing Tax Credits, net operating income during rehabilitation and existing reserves.
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 seller carryback loan financing in an amount equal to appraised value of the improved real property.
 - (c) Commitments for permanent financing sufficient to "take out" all liens senior to the Agency's lien.

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

Such commitments shall not be based upon sources and uses of Project funds that are different from those approved by Agency for the project or be subject to conditions which require amendment of the Agency loan documents or other agreements.

14. EVIDENCE OF FUNDS: Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its absolute discretion; and c) Agency's contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.
15. SOILS AND TOXIC REPORTS: Borrower must submit to Agency and a hazardous substances report made in accordance with the American Society for Testing and Materials "Standard Practice for Environmental Site Assessments; Phase I Environmental Site Assessment Process" (Designation E1527-93) prepared by a licensed or registered environmental engineer or other qualified party prior to Loan closing. Borrower must, as a condition of disbursement of Loan funds, give assurances satisfactory to the Agency that hazardous materials are not present on the Property or that any hazardous materials on the Property have been remediated and that no further remediation is then required by the environmental agency having responsibility for monitoring such remediation.
16. LOAN IN BALANCE: Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders are sufficient, in the sole judgment of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency. Should the Agency determine that the Loan is not "in balance", the Agency may declare the Loan to be in default.
17. PLANS AND SPECIFICATIONS: Final plans and specifications for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the disbursal of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the project.
18. ARCHITECTURAL AGREEMENT: The architectural agreement ("Agreement") for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
19. CONSTRUCTION CONTRACT: The construction contract ("Contract"), and any change orders issued thereunder, and the contractor ("Contractor") to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency

may require an assignment of Borrower's interest in and to the Contract as security for the Loan.

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

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

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

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

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 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. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage 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).
26. 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.
27. TITLE INSURANCE: Borrower must procure and deliver to Agency a 2006 ALTA Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to CLTA endorsement nos. 100, 116, and /102.7 insuring Agency in an amount equal to the principal amount of the Loan, that Agency's Deed of Trust constitutes a second 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.

28. 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.
29. PURCHASE OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.
30. 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.
31. 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.
32. LOW INCOME HOUSING TAX CREDITS("LIHTC"): Borrower represents that as a condition of closing this Loan it is applying for an allocation of LIHTCs and agrees to perform all actions and to meet all requirements to maintain the LIHTC allocation if granted.
33. RENEWABLE ENERGY REBATES: Borrower represents that, consistent with its proposed installation of photovoltaic generating equipment at the Property, it is applying for rebates from the appropriate utilities. If rebates are received, Agency may, in its sole

discretion, reduce the amount of its Loan by an amount up to the amount of rebates received.

34. RESIDENT SERVICES PLAN: Borrower shall provide Agency with a detailed resident services plan including, but not limited to, the following information: 1) identification of all entities responsible for providing resident services to Project tenants and each entity's role in the provision of those services; 2) the services will be provided for a minimum of 15 hours per week, including adult educational activities and service coordination; 3) a description of the programs to be offered, and; 4) a proforma resident services budget.
35. SMOKE-FREE ENVIRONMENT: Borrower shall provide that at least 50% of the buildings but no less than 50% of the units must be smoke free. Projects with only a single residential building must have at least 50% of the units in the building smoke-free. In addition all indoor common areas must be smoke-free.
36. DOCUMENTATION: This letter is not intended to describe all of the requirements, terms, conditions and documents for the Loan, which shall also include customary provisions and documents for an Agency transaction of this type. All documents to be delivered to or approved by Agency must be satisfactory to Agency in all respects. Borrower must promptly deliver to Agency any further documentation that may be required by Agency.
37. CONSISTENCY OF DOCUMENTS: As a material obligation under this commitment letter, Borrower shall assure that the loan documents for the Project are consistent with lender's commitment approved by the Agency and comply, in all respects, with this commitment letter.
38. CHANGES OR AMENDMENTS: No documents or contracts which are to be delivered to Agency or are subject to Agency's review or approval shall be modified or terminated without the prior written approval of Agency.
39. ACCEPTANCE OF THIS COMMITMENT: Borrower's acceptance of this Commitment shall be evidenced by signing and delivering to Agency the enclosed copy of this letter. Until receipt of such acceptance by Agency, Agency shall have no obligation under this letter. Agency may withdraw this commitment at any time prior to Borrower's acceptance.

Sincerely,

LaShelle Dozier

Executive Director

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

BORROWER:
Sacramento Housing Authority Repositioning Program, Inc.

By: _____
James Shields
President

Dated: _____

BRIDGE Housing Corporation

By: _____
Ann Silverberg
Senior Vice President

Dated: _____