



**Sacramento
Housing &
Redevelopment
Agency**

REPORT TO COUNCIL
City of Sacramento
 915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

Staff Report
June 26, 2007

Honorable Mayor and Members of the City Council

Title: Approval of City Home Investment Partnership Program (HOME) Loan for Broadway Senior Center Apartments Project

Location/Council District: 5200 Broadway, Sacramento, Council District 5

Recommendation: Adopt a **City Resolution** 1) approving a City Home Investment Partnership Loan (HOME Loan) of \$2,013,000 for the project; 2) approving and authorizing the Executive Director or her designee to execute a loan agreement for \$2,013,000 with a term of 30 years; and 3) approving the environmental findings for the project.

Contact: Jim Hare, Assistant Director of Housing Policy and Development, 440-1313

Presenters: Jim Hare, Assistant Director of Housing Policy and Development, 440-1313, Bernadette Austin, Housing Finance Analyst, 440-1399 x1233

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: This report recommends the approval of a loan up to \$2,013,000 in City Home Investment Partnership (HOME) funds for the acquisition, rehabilitation, and permanent financing of Broadway Senior Center Apartments. The proposed project by Dawson Holdings, Inc. would preserve 119 units of affordable housing.

Broadway Senior Center Apartments is an existing affordable housing project. All 119 units are currently covered by a Housing Assistance Payment (HAP) contract with the U.S. Department of Housing and Urban Development (HUD). This contract, which limits the tenant's rent to one-third of their income, allows the project to serve very low-income seniors. The contract is currently subject to annual renewals.

Approval of City HOME Loan for Broadway Senior Center Apartments

The recommended HOME loan, combined with private bank loans and tax credit equity will ensure adequate financing for the project. The HOME loan and tax credits will regulate the rents at 30, 45, 50 and 60 percent of Area Median Income (AMI) for 55 years. The developer intends to secure a long-term HAP contract that would ensure deeper affordability (one-third of income for rent) for residents over a 20 year period.

The project was built in 1979 and needs substantial improvements to bring it up to modern standards. The developer proposes a rehabilitation budget of \$3,600,000 to make the necessary improvements.

- The exteriors budget includes \$655,000 which will go to replacing damaged siding and front doors on all buildings, including the community room.
- The community room rehabilitation budget of \$250,000 will fund remodeling to make all areas, including the kitchen and two bathrooms, ADA accessible.
- Roofs and exterior walls in all units will be repaired and replaced as needed.
- An additional \$250,000 of the exteriors budget will be used for landscaping, sidewalks, and parking areas.
- The sidewalks and parking areas will be repaired as needed, and landscaping will be upgraded. Each unit will have dual pane vinyl clad windows to replace the existing windows (approximately \$340,000).
- All units will have new concrete ADA entry ramps (approximately \$150,000).

The interior improvements budget of \$1,940,000 includes funds for many new appliances, repairs, and upgrades.

- Each building will contain a new HVAC unit and hot water heater, as well as new paint and carpeting.
- Each kitchen will include refaced or replaced cabinetry, a new countertop, a new garbage disposal, a new refrigerator, and a new oven and stove.
- Each bathroom will have refaced or replaced cabinetry, replaced vinyl, new granite countertops, a new toilet, and a new tub.

Further background on the project developer and the property in question are included as Attachment 1. A vicinity map is included as Attachment 2, and a location map is included as Attachment 3. A project site plan is included as Attachment 4. A project summary, including a proposed sources and uses of funds, is included as Attachment 5, a project cash flow Proforma is included as Attachment 6, and a schedule of maximum rents and incomes for the project is included as Attachment 7.

Approval of City HOME Loan for Broadway Senior Center Apartments

Policy Considerations: The recommended actions are consistent with the Agency's previously approved multifamily lending policy. Regulatory restrictions on the property will be specified in a Regulatory Agreement between the Developer and the Agency. Compliance with the Regulatory Agreement will be monitored by the Agency on a regular basis.

Environmental Considerations: The proposed action is exempt from environmental review under California Environmental Quality Act (CEQA) Guidelines Sections 15310 and 15301(a) and (d) which exempts bond and loan financing and rehabilitation of existing facilities where the use remains unchanged.

The project consists of the rehabilitation of a multifamily residential complex in which the unit density will not be changed and the estimated cost of rehabilitation is less than 75 percent of the total estimated cost of replacement after rehabilitation. Therefore, the proposed action is categorically excluded from environmental review under the National Environmental Protection Act pursuant to 24 CFR Section 58.35(a)(3).

Committee/Commission Action: At its meeting of June 6, 2007, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES: Burns, Coriano, Fowler, Gore, Hoag, Piatkowski, Stivers

NOES: None


ABSENT: Burruss, Chan, Shah

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.

Financial Considerations: The recommended actions are consistent with previous approval of the Agency Multifamily Loan Program policies. Staff recommends funding the \$2,013,000 Agency loan with City HOME funds which will be repaid, with interest, from cash flow from the property. The loan will be made consistent with standard Agency multifamily loan underwriting guidelines. A loan commitment letter is included as Attachment A.

Approval of City HOME Loan for Broadway Senior Center Apartments

M/WBE Considerations: Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding.

Respectfully Submitted by: 
ANNE M. MOORE
Executive Director

Recommendation Approved:

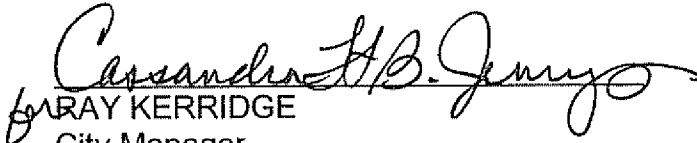

RAY KERRIDGE
City Manager

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Broadway Senior Center Apartments Project Background Information

The developer, Dawson Holdings, Inc. proposes to acquire and rehabilitate an existing 120-unit affordable senior housing project located at 5200 Broadway. For this project, the developer is requesting a \$2,013,000 City Home Investment Partnership (HOME) loan, which will be contingent upon the allotment of 9% Low-Income Housing Tax Credits (LIHTC) through the California Tax Credit Allocation Committee.

The site is located in close proximity to the UC Davis Medical Center, Tahoe Park, and public transportation. A vicinity map is included as Attachment 2 and a location map is included as Attachment 3.

Description of Development: The Broadway Senior Center Apartments project is located at 5200 Broadway. The project consists of 26 single-story buildings. One building houses the community room, laundry facility, management/leasing office, and maintenance shop. The remaining 25 buildings contain 112 one-bedroom units and 8 two-bedroom units. One-bedroom units are 500 square feet, and two-bedroom units are 800 square feet. A site plan is included as Attachment 4.

All units are rental units and will be affordable to low-income residents. Rent restrictions will be enforced through a Regulatory Agreement with the Agency for a term of 55 years.

Developer: Dawson Holdings, Inc. is a developer of affordable rental housing that focuses on the acquisition and rehabilitation of existing rental housing communities financed using a combination of tax-exempt bonds and the sale of low-income housing tax credits. The developer has completed rehabilitation and construction of approximately 32,000 rental units, including 2,559 affordable housing units in northern California.

Dawson Holdings, Inc. will be working with Precision General Commercial Contractors, Inc. on this project. Precision General Contractors, Inc. is an equal opportunity employer that strives to recruit subcontractors and suppliers who are representative of the local community. Their goal is to ensure that construction personnel and subcontractors are recruited primarily from within the local community, including Women and Minority-owned as well as disadvantaged businesses.

Property Management: The current and continuing property management will be performed by the Sackett Corporation. The property management company has managed commercial and multifamily residential properties since 1977. Over the past 25 years, Sackett Corporation has managed approximately 20,000 residential units in California and Arizona. Their experience includes conventional apartments, tax-exempt bond financed-apartments, senior housing, and HUD subsidized housing.

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

Approval of City HOME Loan for Broadway Senior Center Apartments

Social Services Plan: Social Services will be provided by Pacific Housing, Inc., a nonprofit 501(c)(3) corporation. Pacific Housing proposes to offer an instructional program that may include any of the following courses: English as a Second Language, Exercise, Citizenship, Computer Training, Nutrition and Cooking, Budgeting, Drug Free Awareness, and Individual Development Accounts. Additionally, the social service provider may offer social activities that include bingo, dancing, parties, contests, and holiday gatherings.

Pacific Housing, Inc. offers services in five localities throughout the state of California. In the Sacramento region, they provide services for seven properties, including three projects totaling 455 affordable housing units financed by the Agency.

Project Financing: The developer has proposed to finance Broadway Senior Center Apartments using \$8,686,000 in tax credit equity, \$3,704,000 in permanent financing from US Bank, \$810,000 as a deferred developer fee, and \$2,013,000 in a HOME loan through the Agency.

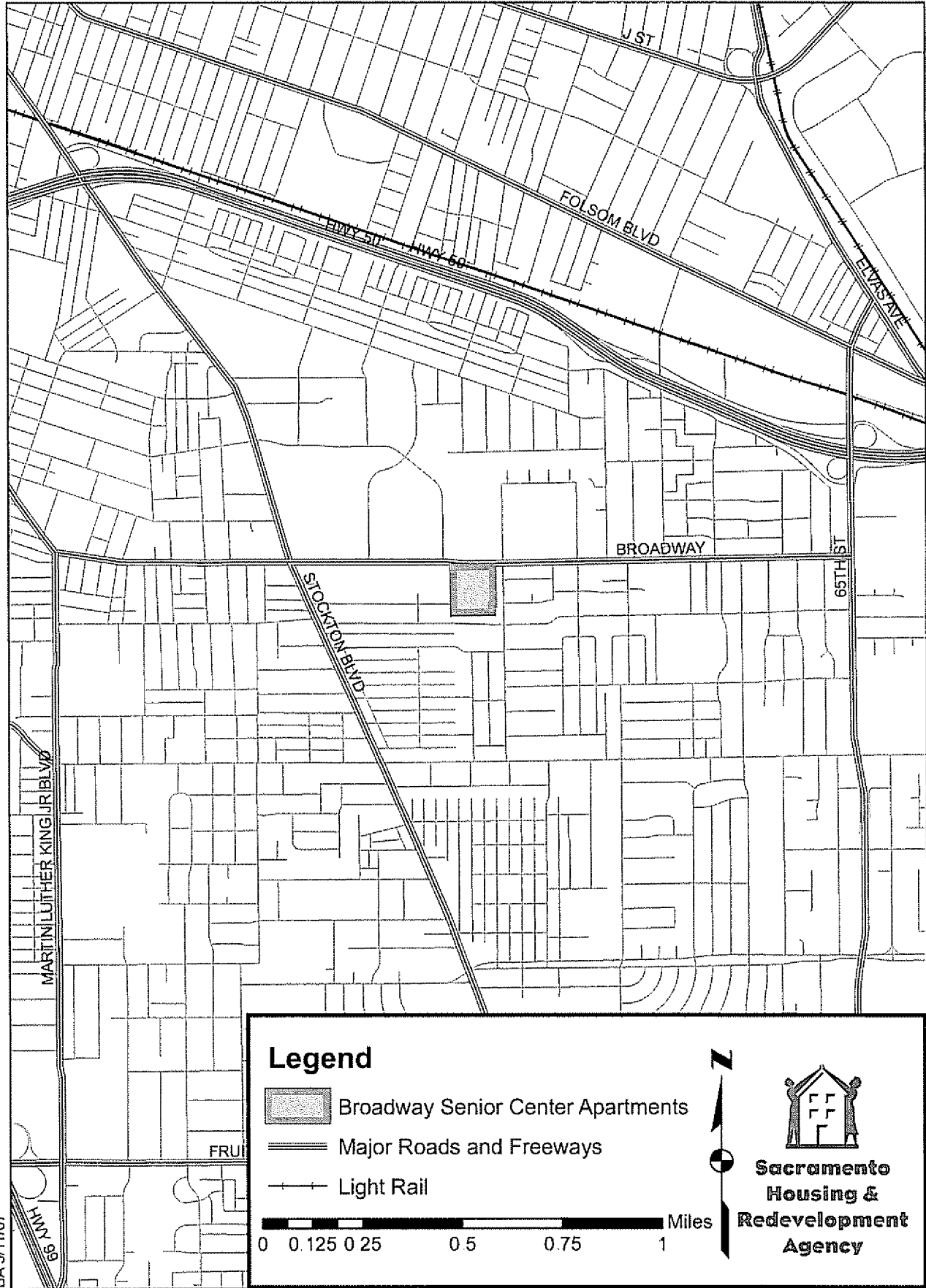
Low-income Set-aside Requirements: The project will be layered with affordability requirements required by the various public funding sources. These sources and their affordability requirements are summarized in the following table.

Funding	Affordability Restrictions	No. Units Covered	Regulatory Term
HAP Contract	Very Low-Income (50% AMI*)	119	20 years
Agency Loan	Very Low-Income (50% AMI*)	119	55 years
	Extremely Low-Income (30% AMI*)	12	55 years
Low-Income Housing Tax Credits	Very Low-Income (45% AMI*)	60	55 years
	Very Low-Income (50% AMI*)	24	55 years
	Low-Income (60% AMI*)	23	55 years
Manager's Unit	Unrestricted	1	

*AMI refers to the area median income.

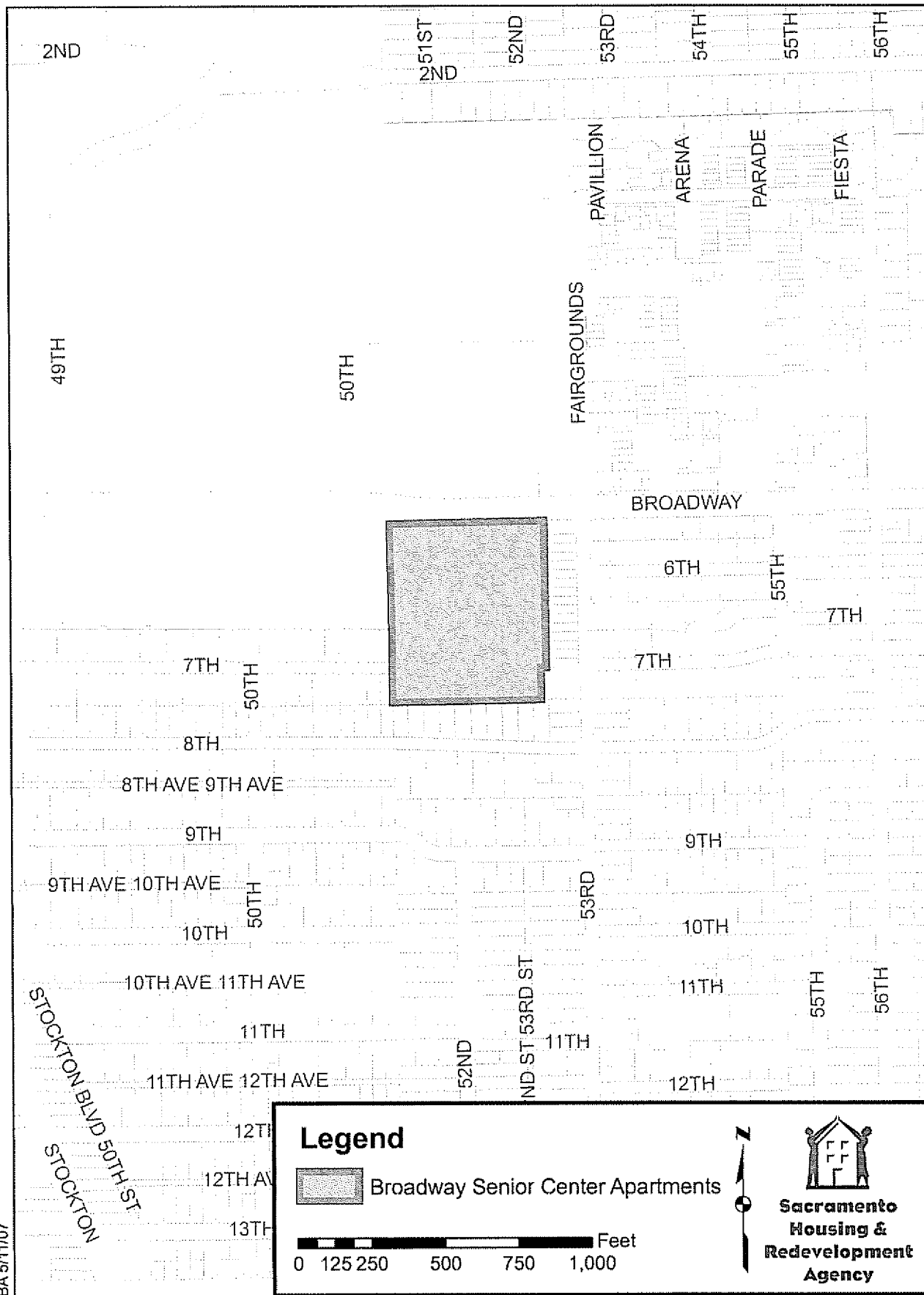
Note that affordability requirements overlap. Also note that the Agency regulates only the portion of project units proportionate the gap financing provided, using HUD guidance on maximum subsidy per unit as its benchmark.

Broadway Senior Center Apartments Vicinity Map



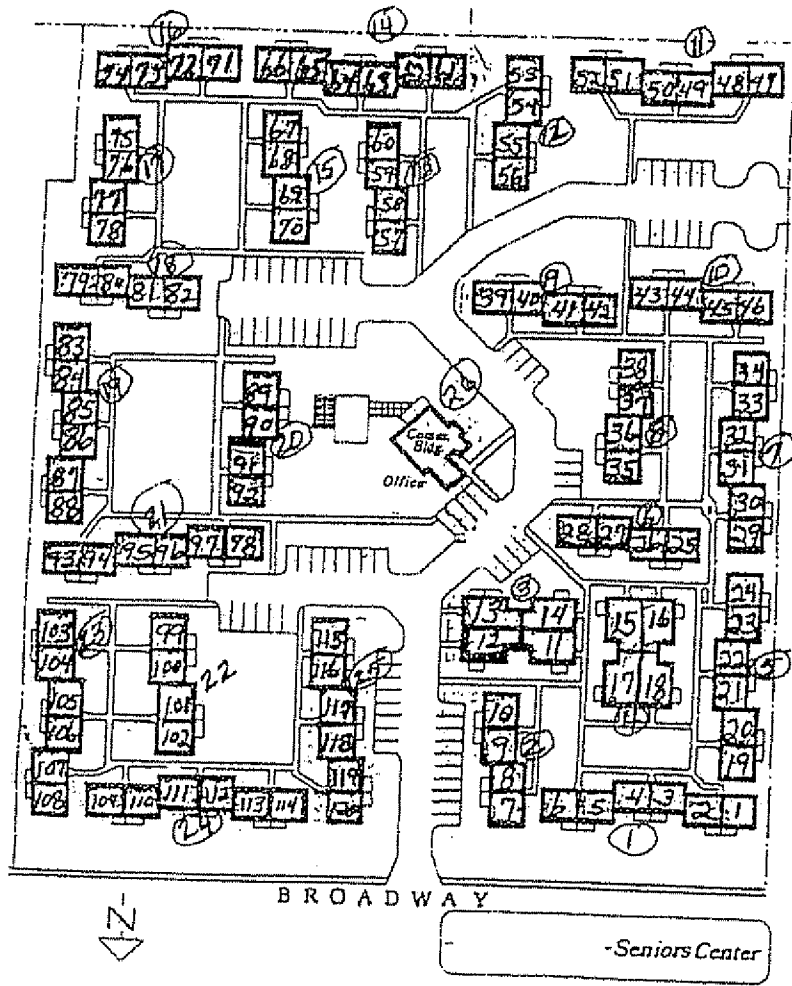
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Broadway Senior Center Apartments Location Map



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IMPROVEMENT LAYOUT



Broadway Senior Center Apartments

Address	5200 Broadway, Sacramento				
Number of Units	120				
Year Built	Acq/Rehab				
Acreage	7.45 acres				
Affordability	12 units (10%) at or below 30% median income 60 units (50%) at or below 45% median income 24 units (20%) at or below 50% of median income 23 units (~20%) at or below 60% of median 1 manager's unit at market rate				
Unit Mix and Rents	(30% AMI)	(45% AMI)	(50% AMI)	(60% AMI)	Market
1 Bedroom	11	56	23	22	0
2 Bedroom	1	4	1	1	1
Total	12	60	24	23	1
Unit Square Footage	1 Bedroom: 56,000 square feet at 500 square feet 2 Bedroom: 6,400 square feet at 800 square feet Total: 65,000 square feet, including 2,600 for the community space				
Resident Facilities	The site includes a community room with a full kitchen and two restrooms				
Permanent Sources	<i>Total</i>	<i>Per Unit</i>	<i>Per Sq Ft</i>		
Tax Credit Equity	\$ 8,686,000	\$ 434,300	\$ 702.75		
US Bank Loan A	\$ 2,655,000	\$ 132,750	\$ 214.81		
US Bank Loan B	\$ 1,048,000	\$ 52,400	\$ 84.79		
SHRA Loan	\$ 2,013,000	\$ 100,650	\$ 162.86		
Developer Fee Loan	\$ 810,000	\$ 40,500	\$ 65.53		
Net Operating Cash Flow	\$ 23,000	\$ 1,150	\$ 1.86		
TOTAL SOURCES	\$ 15,235,000	\$ 761,750	\$ 1,233		
Permanent Uses					
Acquisition Costs	\$7,878,000	\$393,900	\$637		
Construction Costs	\$3,884,000	\$194,200	\$314		
Contractor Overhead & Profit	\$401,000	\$20,050	\$32		
Architecture and Engineering	\$10,000	\$500	\$1		
5% Contingency	\$364,000	\$18,200	\$29		
Financing Costs	\$435,000	\$21,750	\$35		
Operating Reserves	\$306,000	\$15,300	\$25		
Reports, Survey, Title, Escrow, Legal	\$228,000	\$11,400	\$18		
Developer Fee	<u>\$1,729,000</u>	<u>\$86,450</u>	<u>\$140</u>		
TOTAL USES	\$15,235,000	\$761,750	\$1,233		
Management / Operations					
Proposed Developer:	Dawson Holdings, Inc				
Property Management Company:	Sackett Corporations				
Operations Budget:	\$484,772	\$4,040			
Replacement Reserves:	\$36,000	\$300			

MAXIMUM RENT AND INCOME LEVELS

9% Low-Income Housing Tax Credit Program

Rents @ 30%, 45%, 50%, and 60% of AMI

Maximum Income Limits:				
	30 % AMI	45% AMI	50% AMI	60% AMI
<u>Family Size</u>	<u>Max. Income</u>	<u>Max. Income</u>	<u>Max. Income</u>	<u>Max. Income</u>
1 person	\$14,100	\$ 21,150	\$ 23,500	\$ 28,200
2 person	\$16,100	\$ 24,210	\$ 26,900	\$ 32,280
3 person	\$18,150	\$ 29,948	\$ 30,250	\$ 36,300
4 person	\$20,150	\$ 30,240	\$ 33,600	\$ 40,320
Maximum Rent Limits:				
<u>Unit Size</u>	<u>Gross Rent</u>	<u>Gross Rent</u>	<u>Gross Rent</u>	<u>Gross Rent</u>
1 Bedroom	\$378	\$567	\$630	\$ 668
2 Bedroom	\$453	\$680	\$756	\$ 783

HOME Funds

Rents @ 50% of AMI

Maximum Income Limits:	
(HOME)	
50% AMI	
<u>Family Size</u>	<u>Max. Income</u>
1 person	\$ 23,500
2 person	\$ 26,900
3 person	\$ 30,250
4 person	\$ 33,600
Maximum Rent Limits:	
<u>Unit Size</u>	<u>Gross Rent</u>
(at 50% AMI)	
1 Bedroom	\$ 613
2 Bedroom	\$ 756

Approval of City HOME Loan for Broadway Senior Center Apartments

RESOLUTION NO. 2007 –

Adopted by the Sacramento City Council

on the date of

**BROADWAY SENIOR CENTER APARTMENTS: APPROVAL OF \$2,013,000 LOAN;
EXECUTION OF LOAN AGREEMENT AND RELATED DOCUMENTS WITH
DAWSON HOLDINGS, INC.; RELATED BUDGET AMENDMENT**

BACKGROUND

- A. Dawson Holdings, Inc. has applied for an allocation of Two Million Thirteen Thousand Dollars (\$2,013,000) in City HOME Funds (HOME) to assist in funding the costs of acquisition and rehabilitation of the 120 unit Broadway Senior Center Apartments.
- B. The Broadway Senior Center Apartments project qualifies for HOME funding under Sacramento Housing and Redevelopment Agency guidelines.
- C. The Sacramento Housing and Redevelopment Agency has determined that the project is exempt from environmental review under CEQA Guidelines Section 15301. The project is Categorical Excluded from environmental review under NEPA regulations at 24 CFR Section 58.35 (a) subsection (3)(i) and converts to exempt per 58.34(a)(12) because it does not require any mitigation for compliance with any listed statues or authorities, nor requires any formal permit or license.

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

Section 1. The exemption adequately considered the environmental impacts of the project and the mitigation measures adopted pursuant to the CEQA and NEPA exemptions are adequate to mitigate the significant environmental impacts of the project to a less significant level; and therefore, the exemption is approved and adopted for the actions contained in this resolution.

Section 2. The Sacramento Housing and Redevelopment Agency ("Agency") is authorized to amend the Agency Budget to transfer \$2,013,000 from City HOME Funds to the Broadway Senior Center Apartments project.

Section 3. The Loan Commitment, attached to and incorporated in this resolution by this reference, for financing the Broadway Senior Center Apartments project with HOME Funds in the amount of \$2,013,000 is approved and the Agency is authorized to execute and transmit the Loan Commitment to Dawson Holdings, Inc.

Approval of City HOME Loan for Broadway Senior Center Apartments

Section 4. Subject to the satisfaction of conditions in the Loan Commitment, the Agency is authorized to prepare and execute all Loan documents required for making the \$2,013,000 Loan for a term of 30 years, with an interest rate of 4% (simple), and a loan repayment schedule as detailed in the Loan Commitment, with Dawson Holdings, Inc. to fund the acquisition and construction of Broadway Senior Center Apartments.

Section 5. The Agency is authorized to enter into and execute other documents and perform other actions necessary to fulfill the intent of the staff report and the Loan Commitment that accompany this resolution, in accordance with their respective terms, and to ensure proper repayment of the Agency funds including without limitation, subordination, extensions, and restructuring of such a loan.

Section 6. The Agency is authorized to make technical amendments to said agreements and documents with approval of Agency Counsel, which amendments are in accordance with the Loan Commitment, with Agency policy, with this resolution, with good legal practices for making of such a loan.

Exhibit A – Loan Commitment Letter

June 6, 2007

Tom Dawson
Dawson Holdings, Inc.
3 Harbor Drive, Suite 301
Sausalito, CA 94965

RE: Conditional funding commitment, Broadway Senior Center Apartments

Dear Mr. Dawson:

On behalf of the Sacramento Housing and Redevelopment Agency ("Agency"), we are pleased to advise you of its commitment of acquisition, construction and permanent loan funds ("Loan") from City HOME funds for the purpose of financing the acquisition and rehabilitation of that certain real property at 5200 Broadway, 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 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 60 days prior to close of escrow for the Property.

This commitment will expire June 30, 2008.

1. **PROJECT DESCRIPTION:** The project is the acquisition and rehabilitation of a 120 unit senior apartment complex. A total of 12 units will be affordable to households earning less than 30 percent Area Median Income (AMI), 60 units will be affordable to households earning less than 45 percent AMI, 24 units will be affordable to households

earning less than 50 percent AMI, and 23 units will be affordable to households earning less than 60 percent AMI. One unit will remain an unrestricted managers unit.

2. BORROWER: The name of the Borrower for the Loan is Dawson Holdings, Inc.
3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely to pay the costs of acquisition, construction, and permanent financing or for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, and such other agreements as may be generally required by the Agency for the use of funding source for the Loan.
4. PRINCIPAL AMOUNT: The combined principal amount of the Loan will be the lesser of (a) Two Million Thirteen Thousand Dollars (\$2,013,000), or (b) an amount to be determined prior to close of the Loan based on a project budget approved by Agency. However, the combined indebtedness of the Property must not exceed 90 percent of the appraised value.
5. TERM OF LOAN: The unpaid balance of the Loan will be all due and payable in month 360.
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 days elapsed.
7. AMORTIZATION: The Loan shall be amortized over 360 months.
8. MONTHLY PAYMENT: Payments shall be applied first to outstanding interest accrued and unpaid and then to principal. Interest and principal payments shall be deferred from the date of the loan for the first 132 months. Beginning in the month 133, monthly installments shall be made according to the following schedule:

Months 133-144	\$ 1,796 monthly
Months 145-156	\$ 3,027 monthly
Months 157-168	\$ 3,246 monthly
Months 169-180	\$ 3,458 monthly
Months 181-192	\$ 3,662 monthly
Months 193-204	\$ 3,859 monthly
Months 205-216	\$ 4,047 monthly
Months 217-228	\$ 4,226 monthly
Months 229-240	\$ 4,395 monthly
Months 241-252	\$ 12,525 monthly
Months 253-264	\$ 12,673 monthly
Months 265-276	\$ 12,810 monthly
Months 277-288	\$ 12,934 monthly
Months 289-300	\$ 13,045 monthly

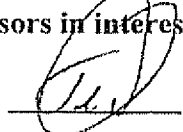
Months 301-312	\$ 13,143 monthly
Months 313-324	\$ 13,227 monthly
Months 325-336	\$ 13,295 monthly
Months 337-348	\$ 13,348 monthly
Months 349-360	\$ 13,394 monthly
Month 361	\$ 2,563,253 loan balance all due and payable

In the event that the Housing Assistance Payments are not renewed in Month 240, the monthly payment schedule will be as follows:

Months 241-252	\$ 680 monthly
Months 253-264	\$ 591 monthly
Months 265-276	\$ 486 monthly
Months 277-288	\$ 364 monthly
Months 289-300	\$ 224 monthly
Months 301-312	\$ 65 monthly
Months 313-324	payment deferred
Months 325-336	payment deferred
Months 337-348	payment deferred
Months 349-360	payment deferred
Month 361	\$ 4,098,533 loan balance all due and payable

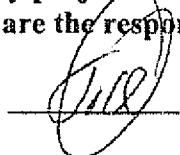
9. **SOURCE OF LOAN FUNDS:** Agency is making the Loan from the following sources of funds, and the Loan is subject to all requirements related to the use of such, whether Agency requirements or otherwise: \$2,013,000 in City HOME funds. This Loan is conditioned upon Borrower's acceptance of Agency's requirements and conditions related to such lending programs and funding sources, including among others, the required forms of agreements for the Loan; the requirements for covenants, conditions and restrictions upon the Property; and insurance and indemnity requirements.

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

 (Borrower Initial)

Borrower acknowledges that every contract for new construction or rehabilitation construction of housing that includes 12 or more units assisted with HOME funds will contain a provision requiring the payment of not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-

Bacon Act (40 U.S.C. 276a-5), to all laborers and mechanics employed in the development of any part of the housing. Such contracts must also be subject to the overtime provisions, as applicable, of the Contract Work Hours and Safety standards Act (40 U.S.C. 327-332). (24 C.F.R. 92.354). Borrower also acknowledges that any project containing a "subsidy" may be subject to state prevailing wages, which are the responsibility of the Borrower and Borrower's contractor.

 (Borrower Initial)

10. **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.
11. **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 senior debt and such other items as the Agency may approve in writing. The Loan shall also be secured by security agreements. The Agency may subordinate said deeds of trust in order to accommodate completion of construction of the Property.
12. **LEASE AND RENTAL SCHEDULE**: All leases of the Property and Improvements shall be subject to Agency's approval prior to execution. Borrower shall not deviate from the rental schedule presented in Borrower's application for the Loan without Agency's prior written approval.
13. **PROOF OF EQUITY**: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$8,686,000 in Low Income Housing Tax Credits and no less than \$810,000 in deferred developer fee.
14. **OTHER FINANCING**: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:

Construction Financing from a private lender(s) in an amount(s) sufficient to complete rehabilitation of the Property according to a scope of work as approved by Agency and made for a term not less than that specified in the Schedule of Performances for completion of construction, and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.

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

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 Loan Agreement.

15. EVIDENCE OF FUNDS: Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its absolute discretion; and c) Agency's contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.
16. SOILS AND TOXIC REPORTS: Borrower must submit to Agency a soils report prepared by a licensed soils engineer 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.
17. LOAN IN BALANCE: Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders 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.
18. PLANS AND SPECIFICATION: Final plans and specifications for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the 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.

19. 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.
20. CONSTRUCTION CONTRACT: The construction contract ("Contract"), and any change orders issued thereunder, and the contractor ("Contractor") to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Contract as security for the Loan. Agency shall require Contractor to provide a performance and payment bond in a form acceptable to Agency for the amount of the Contract.
21. RETENTION AMOUNT: The Agency shall retain ten percent (10%) as retention from each disbursement, not to exceed a total of ten percent (10%) of the total amount of the Loan.
22. COST BREAKDOWN: Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, 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.

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

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

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

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

24. CONSTRUCTION CONTIGENCY: Within the Development Budget there will be 5% construction contingency. This contingency can only be spent by change order request with Agency approval. Any unspent funds will be split between the Developer (50%) and the Agency (50%).
25. 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 December 1, 2007.
26. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than June 30, 2009.
27. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance or in lieu such insurance, Builder's Risk completed value insurance in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000.00).

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: Bodily injury liability of \$1,000,000 each occurrence and \$1,000,000 Aggregate, Products and Completed Operations; Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single limit and \$1,000,000 aggregate; Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$1,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate; and Comprehensive Automobile Liability for any vehicle used for or in connection with the Work of \$1,000,000. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000). Borrower must also procure and maintain workers' compensation and all other insurance required under applicable law, as required by law and as approved by Agency.
29. TITLE INSURANCE: Borrower must procure and deliver to Agency a 1970 or 1987 ALTA LP-10 Lender's Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to CLTA endorsement nos. 100, 116, and 102.5/102.7 insuring Agency in an amount equal to the principal amount of the Loan, that Agency's Deeds of Trust constitutes a 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.
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. In addition, Borrower must submit an organizational chart indicating the number of employees currently employed by the management company that will operate the project and an organizational chart of the management organization.
34. 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.
35. TENANT SERVICES PLAN: Prior to the closing of the Loan the Borrower will submit to the Agency for approval a Tenant Services Plan. The Tenant Services Plan must provide a description of the services or activities to be provided as well as their goals and objectives. Additional information such as the name of the service provider, the number of staff persons facilitating the services, and how regularly the services will be offered must be included.
36. SECURITY AND LIGHTING: Project shall include a security camera system approved by the Agency and lighting adequate to properly light the parking area and all common spaces
37. DOCUMENTATION: This letter is not intended to describe all of the requirements, terms, conditions and documents for the Loan, which shall also include customary provisions and documents for an Agency transaction of this type. All documents to be delivered to or approved by Agency must be satisfactory to Agency in all respects. Borrower must promptly deliver to Agency any further documentation that may be required by Agency.
38. CONSISTENCY OF DOCUMENTS: As a material obligation under this commitment letter, Borrower shall assure that the loan documents for the Project are consistent with lender's commitment approved by the Agency and comply, in all respects, with this commitment letter.

39. CHANGES OR AMENDMENTS: No documents or contracts which are to be delivered to Agency or are subject to Agency's review or approval shall be modified or terminated without the prior written approval of Agency.
40. ACCEPTANCE OF THIS COMMITMENT: Borrower's acceptance of this Commitment shall be evidenced by signing and delivering to Agency the enclosed copy of this letter. Until receipt of such acceptance by Agency, Agency shall have no obligation under this letter. Agency may withdraw this commitment at any time prior to Borrower's acceptance.

Yours truly,

Anne M. Moore
Executive Director

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

Dated:

BORROWER.

By: _____

Tom Dawson