

RESOLUTION NO. 2019-0012

Adopted by the Housing Authority of the City of Sacramento

July 23, 2019

Rental Assistance Demonstration Phase I Rehabilitation (“Project”): Approval to Amend the Housing Authority Budget; Option Agreement for the Ground Lease and the Purchase and Sale of Improvements (Option Agreement); \$860,000 Seller Carryback Loan and \$1,641,219 Capital Funds Loan (Loan Commitment); Execution of Option Agreement, Loan Commitment and Related Documents with Sacramento Housing Authority Repositioning Program, Inc. (Sharp), or Related Entity; and Environmental Findings

BACKGROUND

- A. On October 30, 2018, the Housing Authority Board (Board) of the City of Sacramento (City) adopted Resolution No. 2018-0019, which approved the updates to the Housing Authority Asset Repositioning Plan allowing for conversion of the public housing portfolio under the Rental Assistance Demonstration (RAD) and Section 18 Demolition and Disposition (Section 18) Programs. Additionally, the Board authorized the Housing Authority to submit an application to United States Department of Housing and Urban Development (HUD) to reposition and convert City Public Housing Properties under the Rental Assistance Demonstration (RAD) and Section 18 Demolition and Disposition Programs.
- B. On November 30, 2018, HUD approved the application to reposition and convert ten units to Rental Assistance Demonstration Project Based Vouchers (PBV) at Oak Park located at 4921 Folsom Boulevard and 28 units to Rental Assistance Demonstration PBV at Meadow Commons located at 1043 43rd Avenue in the City of Sacramento.
- C. The Housing Authority desires to partner and enter into an Option Agreement for the Ground Lease and the Purchase and Sale of Improvements in an amount justified by an updated fair market value appraisal, with the Sacramento Housing Authority Repositioning Program, Inc., (SHARP), an entity that can benefit from the use of low-income housing tax credits, to position acquisition and rehabilitation efforts for success, and to accomplish necessary renovations to Oak Park and Meadow Commons, under the Rental Assistance Demonstration (RAD) Program.
- D. SHARP has applied for rehabilitation and construction financing for Oak Park and Meadow Commons in the form of a seller carryback loan and a Capital Funds loan from the Housing Authority.

- E. The disposition and rehabilitation of the properties under the RAD program have been found to be Categorical Exempt under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15301, "Existing Facilities".
- F. The disposition and rehabilitation of the Meadow Commons property has been found to be Categorical Excluded under the National Environmental Policy Act (NEPA) pursuant to 24 CFR 58.35(a)(3)(ii) and (5) and convert to exempt pursuant to 24 CFR 58.34(a)(12). The Oak Park site requires additional environmental assessment and NEPA review for this site (4921 Folsom Blvd.) must be completed prior to making a commitment of funds or choice limiting action.

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 Executive Director is authorized to amend the Housing Authority budget to allocate \$1,641,219 Capital Funds and \$860,000 in the form of a seller carryback loan for the financing of the Oak Park (4921 Folsom Boulevard) and Meadow Commons (1043 43rd Avenue) RAD Phase 1 Projects.
- Section 3. The Option Agreement for the Ground Lease and the Purchase and Sale of Improvements in an amount justified by fair market value appraisals (Option Agreement) between the Housing Authority of the City of Sacramento and the Sacramento Housing Authority Repositioning Program, Inc. (SHARP) for the rehabilitation of Oak Park and Meadow Commons under the RAD Phase 1 Project, included as Exhibit A, is approved.
- Section 4. The Housing Authority Loan Commitment, included as Exhibit B, for the financing of Oak Park and Meadow Commons under the RAD Phase 1 Project in the amount of a \$860,000 seller carryback loan and a \$1,641,219 Capital Funds loan from the Housing Authority (Loan Commitment) is approved.
- Section 5. The Executive Director, or designee, is authorized to execute the Option Agreement and Loan Commitment and related documents, as approved to form by Sacramento Housing and Redevelopment Agency (Agency) counsel, and transmit to SHARP, or related entity. The Housing Authority will return to the Board for approval of loan documents.

Section 6. The Executive Director, or designee, is authorized to enter into and execute related agreements, as approved to form by Agency counsel, and perform other actions necessary to implement the activities and fulfill the intent of the Option Agreement and Loan Commitment to ensure proper repayment of the Housing Authority funds, as approved above or to delegate those activities to the Agency.

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Exhibit A: RAD Phase 1 Option Agreement for Oak Park and Meadow Commons

Exhibit B: RAD Phase 1 Loan Commitment for Oak Park and Meadow Commons

Adopted by the Housing Authority of the City of Sacramento on July 23, 2019, by the following vote:

Ayes: Members Ashby, Carr, Guerra, Hansen, Harris, Jennings, and Schenirer

Noes: None

Abstain: None

Absent: Member Warren and Mayor Steinberg

Attest by Secretary:

Mindy Cuppy

Digitally signed by Mindy Cuppy
Date: 2019.07.25 16:35:27
-07'00'

Mindy Cuppy, City Clerk

The presence of an electronic signature certifies that the foregoing is a true and correct copy as approved by the Housing Authority.

OPTION AGREEMENT

Ground Lease of Land and Purchase of Improvements Rental Assistance Demonstration (RAD) Phase 1 - CITY (Oak Park and Meadow Commons)

THIS OPTION AGREEMENT (“the Agreement”) is made and entered into as of _____, 2019 (the “Agreement Date”), by and between the Housing Authority of the City of Sacramento (“Owner”) and Sacramento Housing Authority Relocation Program, Inc., a California nonprofit public benefit corporation (“SHARP” and “Optionee”).

1. **OPTION.** Owner hereby grants to Optionee an exclusive option (the “Option”) to ground lease the land (defined in Section 2) and to purchase the improvements for the project known as RAD Phase 1 repositioning and conversion, and rehabilitation of 10 units to Rental Assistance Demonstration Program at Oak Park located at 4921 Folsom Boulevard and 28 units at Meadow Commons located at 1043 43rd Avenue in the City of Sacramento (the “Improvements”), subject to the terms and conditions contained in this Agreement.

2. **LAND.** The “Land” is that certain real property located under the Improvements at, 4921 Folsom Boulevard and 1043 43rd Avenue, Sacramento County, California, more particularly described in Exhibit “A” attached hereto. The Land and Improvements are referred to collectively as the “Property.”

3. **TERM OF OPTION.** The Option shall commence on the Agreement Date, and shall terminate at five o’clock p.m. (5:00 p.m.) on December 31, 2020 (the “Option Term”).

4. **OPTION PAYMENT.** In consideration for the grant of the Option, SHARP each have paid to Owner the sum of One Hundred Dollars (100.00) (“the Option Payment”), which amount shall be retained by Owner and is nonrefundable to Optionee.

5. **OPERATION OF THE PROPERTY DURING THE OPTION TERM.** Owner shall continue to operate and secure the Property according to its customary property management practices and in compliance with applicable HUD regulations, California Housing Authority Law, and Admissions and Continued Occupancy Policy (“ACOP”) until the close of escrow transferring the leasehold interest in the Land through a ground lease and a fee interest in the improvements through a purchase and sale agreement.

6. Owner agrees that it will not enter into any new lease of the Property without Optionee's prior written consent, and that Owner will not materially modify the Improvements without optionee's prior written consent; in each case such consent not to be unreasonably withheld, conditioned or delayed by Optionee.

7. EXERCISE OF OPTION. The Option shall be exercised by written notice delivered to Owner on or prior to expiration of the Option Term. Optionee's failure to timely deliver such notice shall be deemed Optionee's determination not to exercise the Option. Promptly following Optionee's exercise of the Option, the parties shall enter into the Ground Lease and the Purchase Agreement (defined below).

8. GROUND LEASE AND PURCHASE AGREEMENT. During the Option Term the parties shall negotiate in good faith a ground lease of the Land (the "Ground Lease") and a purchase and sale agreement for the Improvements (the "Purchase Agreement") which will outline the specific terms for Optionee's lease of the Land and purchase of the Improvements. The Ground Lease and Purchase Agreement shall include the following terms, together with such other terms as are mutually acceptable to the parties, provided that notwithstanding these terms, all terms are subject to any applicable requirements of the U.S. Department of Housing and Urban Development ("HUD"), including any applicable HUD approval requirement; and the following terms may be modified further, supplemented or replaced by agreement of the parties:

(a) Ground Lease.

(i) The Ground Lease will have a term of at least seventy-five (75) years, subject to the Owner's right to terminate the Ground Lease and repurchase the Improvements under Subsection (d) below the form of which shall be subject to HUD's approval.

(ii) The Ground Lease shall have an annual rental payment of its appraised fair market value determined at time of the execution of the Ground Lease.

(b) Purchase Agreement. The purchase price for the Improvements shall be at their fair market value as determined by an appraisal performed within six months of closing. Current appraisal values are as follows:

Property	Land Value	Improvements Value
4921 Folsom Boulevard Sacramento, CA 95819 APN 008-0341-044-0000	\$2,380,000.00	\$0
1043 43rd Avenue Sacramento, CA 95822 APN 029-0184-001-0000, 029-0184-002-0000 and 029-0184-017-0000	\$570,000.00	\$860,000.00
Total	\$2,950,000	\$860,000.00

(i) The Purchase Agreement shall require that the Optionee rehabilitate and modernize the improvements to a standard acceptable to the Owner within a negotiated and defined period of time.

(c) Evidence of Adequate Financing. The Ground Lease and Purchase Agreement shall each include a provision for a condition precedent to Owner's conveyance upon Optionee's submission of evidence of sufficient funds to meet all rehabilitation and modernization budget requirements.

(d) Payment. The purchase price will be paid through a take-back note from Optionee payable to the Owner.

(e) Repurchase Provisions. Owner shall have the right, but not the obligation, to terminate the Ground Lease and repurchase the Improvements at any time after the end of the 55th year of the Ground Lease term in exchange for Owner's assumption or forgiveness of all debt then secured by Optionee's interest in the Land and/or the Improvements, or at such earlier time as the parties agree upon.

(f) Reversion at End of Ground Lease Term. Upon the expiration of the Ground Lease Term, title to the Improvements shall automatically revert to Owner at no cost to Owner.

(g) Use Restrictions. Concurrently with the Ground Lease and the grant deed, Use Restrictions shall be recorded against the Property to ensure affordability use by residents with income less than eighty percent (80%) of the Area Median Income, as determined by HUD. The Use Restrictions shall have the same term as the Ground Lease.

9. OPTIONEE'S ACTIVITIES DURING THE OPTION TERM. From and after the Agreement Date, Owner shall provide Optionee, its agents and representatives access to the Property, and Optionee, its

agents and representatives shall be entitled to enter onto the Property to perform surveys, inspections, appraisals and tests of the Property (including invasive testing) and make any other investigations necessary to determine if the Property is suitable, in Optionee's sole discretion, for Optionee's intended use. After making such tests and inspections, Optionee agrees to promptly restore the Property to its condition prior to such tests and inspections. Optionee agrees to indemnify and hold harmless Owner from all loss, cost and expense (including reasonable attorneys' fees) incurred, suffered by, or claimed against the Owner by reason of any actual damage to the Property or injury to persons caused by Optionee and/or its agents, employees or contractors in exercising said inspection rights.

10. ASSIGNMENT. Optionee may assign its rights and/or obligations under this Agreement to an affiliated nonprofit public benefit corporation or to a limited partnership or limited liability company of which Optionee or an affiliated entity is the general partner or manager with the prior written consent of Owner. It is contemplated that Optionee will assign its rights and obligations under this Agreement to a limited partnership or limited liability in connection with tax credit syndication of the Property.

11. ENTIRE AGREEMENT. This Agreement and the attached exhibits constitute the entire Agreement between the Parties with respect to the lease of the Land (apart from the current lease) and the purchase and sale of the Improvements, and no other warranties, agreements or representations have been made or shall be binding upon either party unless expressly set forth therein.

12. NOTICES. All notices or other communications required or permitted hereunder shall be in writing, and shall be personally delivered or sent by registered or certified mail, postage prepaid, return receipt requested, or electronic mail, shall be deemed received upon the earlier of (a) if personally delivered, the date of delivery to the address of the person to receive such notice, (b) if mailed, three (3) business days after the date of posting by the United States post office, (c) if given by electronic mail, when sent if before 5:00 p.m., otherwise on the next business day, or (d) if delivered by overnight delivery, one (1) business day after mailing. Any notice, request, demand, direction or other communication sent by electronic mail must be confined within by letter mailed or delivered within two business days in accordance with the foregoing.

Optionee: Sacramento Housing Authority Repositioning, Inc.
c/o 801 12th Street
Sacramento, CA 95814
Attn: President

To Owner:

Housing Authority of the City of Sacramento
801 12th Street
Sacramento, CA 95814
Attn: Executive Director

13. MODIFICATION. No modification, variation or amendment of this Agreement shall be effective unless it is in writing and is signed by both parties to this Agreement.

14. CONSTRUCTION. This Agreement shall be construed according to the laws of the State of California.

15. ATTORNEY FEES. In the event that suit is brought to enforce the terms of this Agreement, the prevailing party shall be entitled to recover its reasonable attorney fees. Agreement, the prevailing party shall be entitled to recover its reasonable attorney fees.

16. AUTHORITY. Except as otherwise provided herein, each party has full power and authority to execute this Agreement and perform its respective obligations hereunder. On November 30, 2018, HUD approved the Rental Assistance Demonstration for the conversion of assistance of the Property to Project Based Vouchers (the "Award Letter"). Notwithstanding any other provision of this Agreement, the parties' actions under this Agreement are subject to compliance with the terms and conditions of the Award Letter and any other applicable HUD requirements, including HUD approval requirements. The exercise of this option is subject to HUD approval. Owner shall have no liability under this Agreement in connection with efforts to comply with HUD requirements, obtain HUD approvals or any action or inaction associated with HUD requirements or the HUD approval process.

17. COUNTERPARTS. This Agreement may be executed in counterparts.

IN WITNESS WHEREOF, Optionee and Owner have executed this Agreement as of the day and year first above written.

OPTIONEE:

Sacramento Housing Authority Repositioning Program, Inc.

A California nonprofit public benefit corporation

By: _____
James Shields, President

OWNER:

Housing Authority of the City of Sacramento,

A public body, corporate and politic

Approved as to form:

By: _____
La Shelle Dozier, Executive Director

By: _____
General Counsel

Exhibit A

Legal Description of Oak Park - 4921 Folsom Boulevard, Sacramento, CA 95819

The land described herein is situated in the State of California, County of Sacramento, City of Sacramento, described as follows:

All that real property situate in the City of Sacramento, County of Sacramento, State of California, and being a portion of lot 5, as said lot is shown and so designated on that certain Map entitled "Portion of Tullar Homestead Tract Owned by Philip Wolf, Jr., Sacramento California", filed in the office of the recorder of Sacramento County on June 7, 1898, in Book "A" of Surveys, Map No. 57, and a portion of the land Southerly of and adjacent to the South line of said lot 5, more particularly described as follows:

Beginning at an iron pipe marking the Northwest corner of said lot 5, and the Southwest corner of lot 7, as said lot is shown and so designated on that certain Map entitled "Love Tract", filed in the office of the recorder of Sacramento County on June 24, 1947, in Book 26 of Maps, Map No. 22; thence from said point of beginning, Easterly along the North line of lot 5, South 70° 35' 00" East 119.33 feet to the West line of that certain parcel of land described in the Deed from Chester A. Moore, et ux, to Martine P. Cupich, et ux, filed in the office of the recorder of Sacramento County in Book 713 of Deeds, Page 522; thence, Southerly along said West line South 19° 53' 00" West 273.44 feet, more or less, to the South line of said lot 5 and the Northeasterly line of Folsom Boulevard, a public road; thence, Northwesterly along the Northeasterly line of Folsom Boulevard North 63° 00' 00" West 39.28 feet to a point on the East line of that certain parcel of land described in the Deed from Chester A. Moore, et ux, to W.L. Young, et ux, filed in the office of the recorder of Sacramento County in Book 56 of Official Records, Page 19, said point located South 63° 00' 00" East, along the Northeasterly line of Folsom Boulevard, 80.6 feet from the projected West line of lot 5; thence continuing along the Northeasterly line of Folsom Boulevard, North 63° 00' 00" West 80.60 feet to a point on the Southerly projection of said lot 5, located South 19° 35' 00" West 1.30 feet from the original Southwest corner of lot 5; thence, North 19° 35' 00" East 1.30 feet to the Southwest corner of said lot 5; thence, Northerly along the West line of lot 5 North 19° 45' 10" East 256.31 feet to the point of beginning and described on that certain Certificate of Compliance for Lot Merger executed by the Department of Public Works and recorded January 25, 1995 as Book 950125, Page 1097, Official Records.

APN: 008-0341-044-0000

Legal Description of Meadow Commons - 1043 43rd Avenue, Sacramento, CA 95819

Parcel No. 1:

All that portion of Lot B of South Land Park Hills Unit No. 31; according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5, described as follows:

BEGINNING at the Southwest corner of said Lot B, thence from said point of beginning along the Westerly boundary of said Lot B the following three (3) courses and distances: (1) North 36° 16' 50" East 118.48 feet, (2) North 44° 12' 10" West 115.09 feet and (3) North 51° 44' 50" East 165.17 feet; thence South 64° 06' 12" East 114.27 feet; thence South 13° 31' 16" West 305.00 feet to a point located on the Southerly boundary of said Lot B; thence along said Southerly boundary, Westerly, curving to the right on an arc of 390.19 feet radius, said arc being subtended by a chord bearing North 66° 20' 32" West 164.92 feet to the point of beginning.

Parcel No. 2:

All that portion of 43rd Avenue and Lot C, of South Land Park Hills Unit No. 31; according to the official plat thereof; filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5, described as follows:

BEGINNING at the most Southerly corner of Lot 16 as said Lot is shown on the official plat of said South Land Park Hills Unit No. 31; thence from said point of beginning along the Southerly boundary of Lot B as said Lot is shown and so designated on the official plat of said South Land Park Hills Unit No. 31, Southerly, curving to the left on an arc of 390.19 feet radius, said arc being subtended by a chord bearing South 66° 20' 32" East 164.92 feet; thence South 13° 31' 16" West 73.56 feet; thence Westerly, curving to the right on an arc of 900.00 feet radius, said arc being subtended by a chord bearing South 79° 10' 15" West 51.82 feet; thence curving to the right on an arc of 20.00 feet radius, said arc being subtended by a chord bearing 51° 51' 17" West 29.41 feet; thence curving to the left on an arc of 200.00 feet radius, said arc being subtended by a cord bearing 25° 17' 43" West 141.81 feet; thence North 36° 16' 50" East 1.30 feet to the point of beginning.

APN: 029-0184-017

Parcel No. 3:

Lots 16 and 17, as shown on the official plat of South Land Park Hills Unit No. 31, according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5.

APN: 029-0184-001 and 002



July 23, 2019

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

Re: Conditional Funding Commitment - Seller Carryback and Capital Funds Loans
Oak Park, 4921 Folsom Blvd, Sacramento, Ca 95819
Meadow Commons, 1043 43rd Avenue, Sacramento, Ca 95822

Dear Mr. Shields:

On behalf of the Housing Authority of the City of Sacramento ("Agency"), we are pleased to advise you of its commitment in the amount of \$860,000 in the form of a seller carry-back loan for the purpose of financing the acquisition of the improvements located at 4921 Folsom Boulevard and 1043 43rd Avenue in the City of Sacramento, California ("Improvements ") commonly known as Oak Park and Meadow Commons, representing two of the six sites in the proposed Rental Assistance Demonstration (RAD) Phase 1 Project. The commitment of the funding level is based upon the current appraisal of the fair market value of the Improvements. This amount may change based on the update of that appraisal which is to occur no later than August 15, 2019.

The Agency is also committing to fund \$1,641,219 in the form of a Capital Funds loan for the purpose of the rehabilitation and development of Oak Park and Meadow Commons (collectively, "Loan").

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 Improvements.

This commitment will expire **July 23, 2020** or extended upon mutual written agreement.

1. PROJECT DESCRIPTION:

Oak Park

The Oak Park site is located in the City of Sacramento at 4921 Folsom Boulevard. There are three buildings on approximately 0.73 acres that provide 10 three-bedroom units and 12 on-site parking spaces. The scope of development is included in Exhibit A.

Meadow Commons

The Meadow Commons site is located in the City of Sacramento at 1043 43rd Avenue. There are eight buildings on approximately 1.54 acres that provide 28 one-bedroom units, community room, barbecue area and 13 on-site parking spaces. The scope of development is included in Exhibit B.

2. BORROWER: The name of the Borrower for the Loan is Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit, public benefit corporation, or related entity.

3. PURPOSE OF LOAN: The \$860,000 in the form of a seller carry-back loan is to be used by Borrower for financing the acquisition of the Improvements located underneath the improvements at 4921 Folsom Boulevard and 1043 43rd Avenue in Sacramento, California.

The \$1,641,219 in Capital Funds loan is to be used by Borrower solely to pay the costs of acquisition, construction, 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 total principal amount of the seller carry-back will be \$860,000, the appraised fair market value of the Improvements. The total principal amount of the Capital Funds loan will be the lesser of (a) \$1,641,219 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 32 years or 384 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 three percent (3%) 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 deferred from the Loan's Effective Date through the first 24 months. Beginning in month 25, installments for the loan are calculated to achieve an annual 1.2 debt coverage ratio. Annual payments will be made on a Residual Receipts, as defined below, basis until the maturity date. Annual payments shall be applied first to outstanding interest accrued and unpaid and then to principal.

“Residual Receipts” is defined as follows: After Month 24, annual installments (as described in Section [f] of this paragraph) are to begin on the first day of the first month (month 25) of the loan. Based on the annual audited financial statement from the preceding year, payments will be made upon a “Residual Cash Flow” basis meaning Net Operating Income (NOI) less: (a) debt service on the senior loan and monitoring fees of the County of Sacramento Housing Authority mortgage revenue bond issuance; (b) asset management fees up to \$8,000 annually as of the Loan's Effective Date escalating at 3% annually; (c) partnership management fee up to \$8,000 annually as of the Loan's Effective Date escalating at 3% annually; (d) deferred developer fee; (e) fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Capital Funds Loan; (f) fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Capital Funds Loan after Sections (a) through (e) of this paragraph are paid; and (g) the remaining to the Housing Authority of the County of Sacramento Seller Carryback Loan, followed by the Housing Authority of the City of Sacramento Seller Carryback Loan.

The Net Operating Income is defined as periodic “Revenue” less “Operating Expenses.” “Revenue” means all revenue from the leasing of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants' security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves.

“Operating Expenses” shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including property management fees; taxes and assessments; payroll, benefits and payroll taxes of for property employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses



associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm and elevator monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower.

8. SOURCE OF LOAN FUNDS: The Acquisition Loan will be financed with \$860,000 seller carryback financing and a \$1,641,219 Capital Funds loan for. The Loan is subject to all requirements related to the use of such funds, whether Agency requirements or otherwise. 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 Improvements and the Land; and insurance and indemnity requirements.

Borrower acknowledges that, as a condition of the Agency's making of the Loan, the Improvements 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 Initials)**

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 Improvements except as specifically provided for in the Loan documents.
10. SECURITY: The Loan shall be evidenced by a promissory note secured by a deed of trust with assignment of rents against the fee interest in the Improvements, which shall be a subordinate lien upon the Improvements subject only to other items as the Agency may approve in writing. The Agency will subordinate said deeds of trust in order to accommodate completion of construction of the Improvements.
11. LEASE AND RENTAL SCHEDULE: All leases of the 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, as nonprofit general partner Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit, public benefit corporation, or related entity, shall provide proof of equity for the Improvements in the amount of no less than \$5,243,000 in Low Income Housing Tax Credit Equity and no less than \$518,977 in deferred developer fee. If LIHTC equity decreases below \$5,243,000, 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 Improvements 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 Improvements 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 E-1527-13) 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 Land or Improvements or that any hazardous materials on the Land or in the Improvements 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 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 disbursement of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the project.
18. ARCHITECTURAL AGREEMENT: The architectural agreement (Agreement) for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
19. CONSTRUCTION CONTRACT: The construction contract (Contract), 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. 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 Project to assure that the work was done before making a disbursement.



21. COST SAVINGS: At permanent loan conversion, Borrower shall submit to Lender a cost certification prepared by a qualified, independent auditor acceptable to Lender. The cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the final sources of funding. If there is an aggregate savings, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Lender, 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 Borrower shall seek Lender approval for Project-related use(s) of said aggregate savings. The Lender shall respond within 15 days to such request for approval. Upon receipt of such consent, the Borrower shall complete the Project-related use(s) in a 90 day period, with option to extend upon mutual agreement.

22. 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.

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

24. 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.

25. 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).

26. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain public liability and property damage insurance (with "Sacramento Housing and Redevelopment Agency and its constituent entities" 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 an ALTA Lender's Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to ALTA endorsement no. 101.1 and CLTA endorsement nos. 100, 116, and 102.5/102.7 and 124 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 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. 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 Land and Improvements, as Agency may request.
30. MANAGEMENT AGREEMENT: Prior to execution, Borrower must submit to Agency any agreement providing for the management or operation of the Land or Improvements by a third party which agreement is subject to Agency Approval.
31. AFFIRMATIVE FAIR MARKETING: Borrower agrees to submit an Affirmative Marketing Plan to Agency and to follow all Agency affirmative marketing requirements.

32. 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 Housing Authority staff will provide resident services. The preliminary resident services plan indicates staff will identify the needs of residents and offer services based on their need. For example, residents transitioning to work will be offered the Family Self-Sufficiency Program. Those who do not have high school diplomas, health or financial literacy needs will be offered the Service Coordination Program. The elderly and disabled residents will receive services from the Housing Authority's Life Steps Partners. The Housing Authority plans to expand the Jobs Plus Program by partnering with the Section 3 Program to develop training and job opportunities for the residents.
33. 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.
34. SMOKE-FREE ENVIRONMENT: At least 50% of the buildings and no less than 50% of the residential units must be smoke free. All of the floors must be smoke free. Additionally, all indoor common areas must be smoke free.
35. 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.
36. 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.
37. 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.
38. 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,
Housing Authority of the City of Sacramento

La Shelle Dozier
Executive Director

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

Dated: July 23, 2019

BORROWER:

Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit, public benefit corporation, or related entity

By: _____
James Shields, President

The Exhibits listed below are incorporated in this Loan Commitment by this reference for the financing of the Rental Assistance Demonstration (RAD) Phase 1 Project:

Exhibit A – Scope of Development - Oak Park - 4921 Folsom Boulevard

Exhibit B – Scope of Development - Meadow Commons - 1043 43rd Avenue

