(Contract for Review) 39th and Broadway Senior Apartments Project - Approval to Allocate Funds and Execute Funding Agreement

File ID: 2022-01632

Location: 3031, 3023, and 3025 39th Street, and 3900, 3908, and 3916 Broadway, District 5

Recommendation: Accept and publish for review a City Council Resolution authorizing the Sacramento Housing and Redevelopment Agency (SHRA) to: a) approve an Amended Conditional Loan Commitment for the purpose of providing construction and permanent funding to the project; b) negotiate, enter into, execute and amend from time to time a funding agreement comprised of an additional $750,000 in HOME Investment Partnership Program (HOME) funds and $750,000 Mixed-Income Housing Funds for a total of $1.5 million with the Related Companies of California for the 39th and Broadway Senior Apartment Project (Project); c) amend the SHRA budget; d) negotiate, enter into, execute and amend from time to time funding agreements for funds allocated to the Project including but not limited to the Seller Carryback Loan; e) make related findings; and continue to October 11, 2022, for approval.

Contact: Christine Weichert, Director, Development Finance, (916) 440-1353, cweichert@shra.org; Sacramento Housing and Redevelopment Agency

Presenter: Christine Weichert, Director, Development Finance, (916) 440-1353, cweichert@shra.org; Sacramento Housing and Redevelopment Agency

Attachments:
1-Description/Analysis
2-Vicinity Map
3-Project Rendering
4-Project Summary
5-Site Plan
6-City Council Resolution
7-Loan Commitment

Description/Analysis
Issue Detail: As the former Redevelopment Agency, SHRA acquired five parcels located at 3031, 3023, and 3025 39th Street and 3900 and 3908 Broadway between 1982 and 2001; and on February 1, 2012, the parcels were conveyed to the Housing Authority. On January 17, 2018, SHRA issued a
Request for Proposals (RFP) seeking an affordable housing developer to acquire and build affordable housing on the property. On April 10, 2018, the selection panel awarded the property to the Related Companies of California, or related entity (Developer) for the proposed 39th and Broadway Senior Apartments, a 43-unit affordable housing development (Project). The development proposal also includes a privately held parcel located at 3916 Broadway.

In June 2021, the Council and Housing Authority Board approved entering into a Disposition and Development Agreement (DDA), an allocation of $5.49 million in HOME Investment Partnerships Program (HOME) funds for the predevelopment, acquisition, construction, and permanent financing of the Project, and a $180,000 seller carryback land loan for the Project.

SHRA currently has a consultant performing remediation of contaminated soil at the site which is attributed to an adjacent parcel used previously as a dry cleaner. The remediation project was also approved by the Council in June of 2021, and is expected to be completed by the Fall of 2022, at an approximate cost of $630,000.

Since June of 2021, the Developer has completed the following items related to the Project: applied for and was awarded 9 percent tax credits for the Project, completed submittals to the City of Sacramento for entitlements, awarded funds through the California Department of Housing and Community Development to assist with infrastructure costs, and commenced environmental cleanup activities on an adjacent site which is also scheduled to be completed in the Fall of 2022.

Due to overall construction cost and interest rate increases for the development of the Project since the time of the original approval, the Developer applied for, and staff is recommending an allocation of an additional $750,000 in HOME funds and $750,000 in Mixed Income Housing Funds for a total of $1.5 million to fill the current financing gap.

**Development:** The 39th and Broadway Senior Apartments is new construction of a three-story residential building, including 43 units comprised of seven studios and 36 one-bedroom units, a community room, management offices, laundry facilities, a community garden, and a courtyard patio with a shade structure. The site is comprised of six parcels separated by 39th Street La Solidad Way Alley. When completed, this development will be managed in conjunction with the Arbors at Oak Park, an existing/adjacent 56-unit senior development developed and owned by the Developer.

**Developer:** The Related Companies of California, or related entity, will serve as the Developer. The Developer is a fully integrated real estate firm with a 30-year performance record of delivering mixed-income housing and mixed-use developments across California. The company has completed 16,000 residences and currently has more than 1,750 affordable and 4,000 market rate units in pre-development. The Developer is qualified to undertake this new construction Project given their long and successful history of affordable housing development, including the Arbors at Oak Park.

**Property Management:** The Project will be managed by the John Stewart Company (JSCo), an experienced property management firm with over 40 years of experience operating affordable apartment communities. There are over 420 properties in California consisting of more than 31,600 affordable and market rate residential units in their portfolio. The JSCo currently manages 16 SHRA financed affordable housing properties in the Sacramento region, including the Arbors at Oak Park.
Resident Services: Fifteen (15) hours per week of on-site resident services will be provided by Life Matters, Inc. (LMI), a locally founded non-profit organization that serves over six apartment communities of approximately 1,000 affordable residential units in the Sacramento region, including the Arbors at Oak Park and Point Natomas. The resident services staff will include one part-time Resident Services Coordinator. Resident services programs will include, but is not limited to: transportation assistance, educational services, enrichment and social events. LMI provides 20 hours of on-site resident services at the Arbors at Oak Park senior community, and residents from either site will be able to access services at both sites.

Security Plan: SHRA staff has reviewed and approved the security plan which includes: security patrol services, installation of security cameras and recording equipment, and installation of lighting in all common areas.

Project Financing: In addition to the SHRA and Housing Authority financing summarized in the table below, the Project will be financed with nine percent Low Income Housing Tax Credits (LIHTC), conventional loan, deferred developer fee, and fee waivers.

### SHRA AND HOUSING AUTHORITY FINANCING

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Remediation (HOME funds allocated 6/2021)</td>
<td>$ 630,000</td>
</tr>
<tr>
<td>Subtotal to SHRA</td>
<td>$ 630,000</td>
</tr>
<tr>
<td>SHRA Predevelopment Loan (HOME funds allocated 6/2021)</td>
<td>$ 500,000</td>
</tr>
<tr>
<td>SHRA Construction and Permanent Loan (HOME funds allocated 6/2021)</td>
<td>$ 5,620,000</td>
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<tr>
<td>HACS Seller Carryback Land Loan (Housing Authority funds)¹</td>
<td>$ 180,000</td>
</tr>
<tr>
<td>Newly Allocated HOME Investment Partnerships Program (HOME) funds</td>
<td>$ 750,000</td>
</tr>
<tr>
<td>Newly Allocated Mixed Income Housing Funds (MIHF)</td>
<td>$ 750,000</td>
</tr>
<tr>
<td>Subtotal to Developer</td>
<td>$ 7,800,000</td>
</tr>
<tr>
<td>Total SHRA and HACS Financing for the Project</td>
<td>$ 8,430,000</td>
</tr>
</tbody>
</table>

¹HACS Seller Carryback Land Loan is $180,000 or an amount justified by an updated fair market value appraisal.

Low-Income Set-Aside Requirements: As a condition of receiving LIHTC and the benefits of LIHTC financing, federal law requires that units be set aside for targeted income groups. Income restrictions from LIHTC financing require that 20 percent of the units have rents that are affordable to households with income up to 50 percent of Area Median Income (AMI). SHRA further requires at least 5 percent of the units have rents that are affordable to households with income up to 30 percent AMI, based on financial feasibility. Project affordability restrictions will be specified in regulatory agreements with the Developer. The affordability requirements are summarized in the following table:
**Policy Considerations:** The recommended actions are consistent with 1) SHRA’s Multifamily Lending and Mortgage Revenue Bond Policies, priority level 2(iv) - New Construction for other affordable housing (Resolution No. 2019-0425 and Housing Authority Resolution No. 2019-022) with the exception that the per unit Agency subsidy is $196,047/unit; 2) the 2013-2021 Housing Element, a) encourages the development of senior housing, particularly in neighborhoods that are accessible to public transit, commercial services, and health and community facilities (Resolution No. 2013-415); and 3) the Sacramento Promise Zone Plans and Goals, Sustainably Built Community sub-goal is to increase housing types and transit growth to promote livability and connectivity within the Promise Zone (Resolution No. 2015-263). Also, the Project is located in an Opportunity Zone that provides a federal tax incentive for investors, who invest in real estate projects and operating businesses located in designated low-income communities through deferral and partial tax reductions of reinvested capital gains and forgiveness of tax on new capital gains (enacted into federal law through the Tax Cuts and Jobs Act of 2017). The Sacramento City Code Section 4.04.020 and Council Rules of Procedure (Chapter 7, Section E.2.d) mandate that unless waived by a 2/3 vote of the City Council, all labor agreements and all agreements greater than $1 million shall be made available to the public at least ten (10) days prior to council action.

**Economic Impacts:** This multifamily residential project is expected to create 166.11 total jobs (93.25 direct jobs and 72.86 jobs through indirect and induced activities) and create $14,570,885 in total economic output ($8,954,654 of direct output and another $5,616,231 of output through indirect and induced activities).

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

**Environmental Considerations:** California Environmental Quality Act (CEQA): The project has been found to be eligible for ministerial approval through SB35 and is therefore not subject to CEQA review. National Environmental Policy Act (NEPA): The project has been reviewed pursuant to NEPA procedures at 24 CFR Part 58, and the project was found to have no significant impact on the environment with mitigation measures incorporated. Other Environmental Considerations: The project site will require remediation for soil and soil vapor impacts, and any mitigation measures determined necessary to remediate the site to residential use standards. Remediation costs
associated with the removal of the contaminated soil on the Housing Authority owned parcels will be administered by SHRA staff and paid for by SHRA’s HOME funds.

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

**Commission Action:** *Sacramento Housing and Redevelopment Commission:* Staff anticipates that the Sacramento Housing and Redevelopment Commission will approve the recommendation of this item at its September 21, 2022 meeting. Staff will alert the City Council if that does not happen.

**Rationale for Recommendation:** The recommended actions are consistent with 1) SHRA’s Multifamily Lending and Mortgage Revenue Bond Policies; 2) the 2013-2021 Housing Element; and 3) the Sacramento Promise Zone Plans and Goals. Also, the Project is located in an Opportunity Zone.

**Financial Considerations:** The additional $1.5 million HOME and MIHF loan will have a term of 55 years and a simple interest rate of three percent. SHRA will receive an annual payment for monitoring the regulatory restrictions and administration of the Funding Programs in the amount of 0.125 percent of the loan amount. SHRA will also receive a $100 annual administrative fee for each assisted unit under the funding programs. The total administrative fee will not exceed $15,000 annually for the affordable units during the regulatory agreement term.

**LBE - M/WBE and Section 3 requirements:** Local Business Enterprise requirements do not apply to this report. Minority and Women’s Business Enterprise requirements and Section 3 will be applied to all activities to the greatest extent feasible and as required by federal funding and in accordance with SHRA’s Section 3 Economic Opportunity Plan. The Developer and general contractor will work with SHRA’s Section 3 Administrator, the Sacramento Employment and Training Agency, the Greater Sacramento Urban League or similar entities, to promote employment opportunities.
39th and Broadway Senior Apartments

- 3900 Broadway
- 3021 39th St
- 3023 39th St
- 3025 39th St
- 3908 Broadway
- 3916 Broadway
- Housing Authority Owned Parcels
- All Nations Church of God in Christ Owned Parcel (16 Parking Spaces)

Map Location

vicinity map

SHRA GIS
April 26, 2021
39th and Broadway Senior Apartments

Project Rendering
39th and Broadway Senior Apartments
Residential Project Summary

Address: 3031, 3023 and 3025 39th Street, and 3900, 3908 and 3916 Broadway

<table>
<thead>
<tr>
<th>Address</th>
<th>Number of Units</th>
<th>Construction Type</th>
<th>Acreage</th>
<th>Unit Mix</th>
<th>ELI 30% AMI</th>
<th>VLI 40% AMI</th>
<th>VLI 45% AMI</th>
<th>VLI 50% AMI</th>
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<th>LI 60% AMI</th>
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<tr>
<td></td>
<td>Studio/1 Bath</td>
<td></td>
<td></td>
<td></td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>6</td>
<td>11</td>
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<td>4</td>
<td>5</td>
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<tr>
<td></td>
<td>1 Bedroom/1 Bath</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>6</td>
<td>1</td>
<td>11</td>
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<td>TOTAL</td>
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<td>5</td>
<td>7</td>
<td>8</td>
<td>4</td>
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<tr>
<th>Square Footage</th>
<th>Per Unit</th>
<th>Total Sq Ft</th>
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<td>Studio/1 Bath</td>
<td>400</td>
<td>2,800</td>
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<td>1 Bedroom/1 Bath</td>
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<td>20,160</td>
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<td>Common Areas</td>
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<td>TOTAL</td>
<td>34,457</td>
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Resident Facilities: Management offices, resident community space with kitchen, laundry facilities, elevator, community garden, a courtyard patio and shade structure adjacent to the community room and 22 parking spaces.

Permanent Sources

<table>
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<th>Source</th>
<th>Current Total</th>
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<th>Per Sq Ft</th>
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<td>Federal Tax Credit Equity</td>
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<td>Permanent Loan</td>
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<td>SHRA Remediation¹</td>
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<td>$14,651</td>
<td>$18.28</td>
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<td>Predevelopment Loan</td>
<td>$500,000</td>
<td>$11,628</td>
<td>$14.51</td>
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<td>Loan</td>
<td>$7,120,000</td>
<td>$165,581</td>
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<td>Deferred Developer Fee</td>
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<td>IIG</td>
<td>$1,927,800</td>
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<td>TOTAL SOURCES</td>
<td>$28,704,054</td>
<td>$667,536</td>
<td>$833.04</td>
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Permanent Uses

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<th>Source</th>
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<td>Acquisition</td>
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<td>Environmental Cleanup¹</td>
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<td>Construction</td>
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<td>Permits and Fees</td>
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<td>Hard Cost Contingency</td>
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<td>Soft Cost Contingency</td>
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<td>$4,403</td>
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<td>Financing Costs</td>
<td>$1,036,350</td>
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<td>Operating Reserves</td>
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<td>$4,261</td>
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<td>Legal Fees</td>
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<td>Developer Fee</td>
<td>$2,200,000</td>
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<td>Insurance, Third Party, Marketing, Other</td>
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<td>TOTAL USES</td>
<td>$28,704,054</td>
<td>$667,536</td>
<td>$833.04</td>
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Leverage

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<tr>
<th>SHRA $ per Unit</th>
<th>Per Unit Cost</th>
<th>Leverage</th>
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<tr>
<td>$196,047</td>
<td>$667,536</td>
<td>Leverage</td>
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Management/Operations

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<th>Source</th>
<th>Current Total</th>
<th>Per Unit</th>
<th>Per Sq Ft</th>
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<tbody>
<tr>
<td>Proposed Developer</td>
<td>The Related Companies of California</td>
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<tr>
<td>Property Management Company</td>
<td>John Stewart Company</td>
<td></td>
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<td>Operations Budget</td>
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<tr>
<td>Property Management</td>
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<tr>
<td>Resident Services</td>
<td>$25,000</td>
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<td>Security Services</td>
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<td>Replacement Reserves</td>
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<tr>
<td>Taxes and Insurance</td>
<td>$36,192</td>
<td>$842</td>
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</tr>
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¹SHRA Remediation: SHRA will complete environmental clean-up prior to conveying the Housing Authority owned parcels to the Developer or related entity.
RESOLUTION NO. 2022 -
Adopted by the Sacramento City Council

on date of

39th AND BROADWAY PROJECT (PROJECT): AUTHORIZATION TO AMEND THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY (SHRA) BUDGET TO ALLOCATE $750,000 IN HOME INVESTMENT PARTNERSHIP (HOME) FUNDS TO THE PROJECT AND $750,000 IN MIXED INCOME HOUSING FUND (MIHF) TO PROJECT; APPROVAL TO EXECUTE FUNDING AGREEMENT WITH RELATED CALIFORNIA OR RELATED ENTITY (DEVELOPER); APPROVAL OF ENVIRONMENTAL FINDINGS

BACKGROUND

A. The 39th and Broadway Senior Apartments is new construction of a three-story residential building, including 43 units comprised of seven studios and 36 one-bedroom units, a community room, management offices, laundry facilities, a community garden, and a courtyard patio with a shade structure. The site is comprised of six parcels separated by 39th Street La Solidad Way Alley. When completed, this development will be managed in conjunction with the Arbors at Oak Park, an existing/adjacent 56-unit senior development developed and owned by the Developer.

B. In June 2021, the Council and Housing Authority Board approved entering into a Disposition and Development Agreement, an allocation of $5.49 million in HOME funds for the predevelopment, acquisition, construction, and permanent financing of the Project, and a $180,000 seller carryback land loan for the Project (Seller Carryback Loan), and $630,000 for environmental cleanup activities.

C. The recommended actions are consistent with a) SHRA’s approved Multifamily Lending and Mortgage Revenue Bond Policies, adopted on December 3, 2019 b) the 2021-2029 Housing Element, which encourages the provision of a variety of quality housing types to encourage neighborhood stability, including options for extremely low-income households (Resolution No. 2021-0259); c) the Sacramento Promise Zone Plans and Goals, Sustainably Built Community sub-goal to increase housing types and transit growth to promote livability and connectivity within the Promise Zone (Resolution No. 2015-263); and d) the 2013-2024 Consolidated Plan (Resolution No. 2019-0408), and 2021 Action Plan (Resolution No. 2020-0350).

D. The project has been analyzed in accordance with the California Environmental Quality Act (CEQA) and has been found to be eligible for ministerial approval through SB35 and is therefore not subject to CEQA review. Pursuant to National Environmental Policy Act regulations at 24 CFR §58, an Environmental Assessment was prepared and it was determined that the project will have no significant impact on the human environment.
BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. All evidence presented having been duly considered, the findings, including environmental findings regarding this action, as stated above, are found to be true and accurate and are hereby approved adopted.

Section 2. An Amended Conditional Loan Commitment for the purpose of providing additional construction and permanent funding to the project comprised of $750,000 in HOME Investment Partnership Program (HOME) funds and $750,000 in Mixed Income Housing Funds (MIHF) with the Related Companies of California for the 39th and Broadway Senior Apartment Project (Project) is hereby approved.

Section 3. SHRA’s budget is hereby amended to incorporate $750,000 in HOME funds for the Project and $750,000 in MIHF funds for the Project

Section 4: SHRA is authorized to negotiate, enter into, execute and amend from time to time additional funding agreements for funds allocated in this report and for funds previously allocated to the project including but not limited to the Seller Carryback Loan and related documents for the construction and permanent financing of the Project with the Developer and execute other documents, as approved to form by its Counsel, and perform other actions required for the funds, including without limitation, negotiation, subordination, regulatory agreements, financial restructuring, and extensions, consistent with its adopted policy and with this resolution.

Table of Contents
Exhibit A – Loan Commitment
Effective Date: September 8, 2022

The Related Companies of California, LLC  
Ann Silverberg, CEO NorCal Affordable  
44 Montgomery Street, Suite 1300  
San Francisco, CA 94104

RE: Amended Conditional Loan Commitment for 39th and Broadway Senior Apartments

Dear Ms. Silverberg:

On behalf of Sacramento Housing and Redevelopment Agency (SHRA) and the Housing Authority of the City of Sacramento (Housing Authority or HACS) (collectively, Agency), we are pleased to advise you of this Amended Conditional Loan Commitment (Commitment) of acquisition, construction and permanent loan funds (Loan) comprised of funds listed in the chart below for the purpose of financing the acquisition, construction and development of that certain real property known as 39th and Broadway Senior Apartments located at 3031, 3023 and 3025 39th Street, and 3900, 3908 and 3916 Broadway, Sacramento, California 95817 (Property). Please note, the parcel addressed as 3916 Broadway is excluded from the seller carryback land loan given this parcel is owned by another party.

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>AMOUNT</th>
</tr>
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<tbody>
<tr>
<td>SHRA Predevelopment Loan (HOME funds)¹</td>
<td>$ 500,000</td>
</tr>
<tr>
<td>SHRA Construction and Permanent Loan (HOME funds)</td>
<td>$ 6,370,000</td>
</tr>
<tr>
<td>SHRA Construction and Permanent Loan (Mixed Income Housing Fund)</td>
<td>$ 750,000</td>
</tr>
<tr>
<td>HACS Seller Carryback Land Loan (Housing Authority funds)²</td>
<td>$ 180,000</td>
</tr>
<tr>
<td>Total SHRA and HACS Loans to Developer</td>
<td>$ 7,800,000</td>
</tr>
</tbody>
</table>

¹The terms of the Predevelopment Loan are incorporated in Section 7 of this Commitment.  
²HACS Seller Carryback Land Loan is $180,000 or an amount justified by an updated fair market value appraisal.

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 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 this Commitment shall be deemed to be terms of this Commitment.

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

This Commitment will expire December 31, 2023, or extended upon mutual agreement.

1. **PROJECT DESCRIPTION:** The 39th and Broadway Senior Apartments is new construction of a three-story residential building, including 43 units comprised of seven studios and 36 one-bedroom units, a community room, management offices, laundry facilities, community garden and courtyard patio with a shade structure. The site is comprised of six parcels separated by 39th Street La Solidad Way Alley (Alley). To the west of the Alley are the five parcels on a 0.55-acre vacant site, located at 3031, 3023 and 3025 39th Street, and 3900 and 3908 Broadway, owned by the Housing Authority. The sixth parcel located to the east of the Alley is a 0.22-acre vacant site, located at 3916 Broadway, owned by All Nations Church in Christ, where 16 vehicle spaces will be built for resident use. When completed, this development will be managed in conjunction with the Arbors at Oak Park, an existing/adjacent 56-unit senior development developed and owned by the Developer. Exterior design elements from the Arbors at Oak Park have been replicated to integrate the two sites.

2. **BORROWER:** The name of the Borrower for the Loan is The Related Companies of California, LLC, a California limited liability corporation, or related entity.

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

4. **PRINCIPAL AMOUNT:** The combined principal amount of the Loan will be the following:

   a. **SHRA HOME loan:** Six Million Eight Hundred Seventy Thousand Dollars and No Cents ($6,870,000.00), which is inclusive of the Five Hundred Thousand Dollars and No Cents ($500,000.00) Predevelopment Loan with terms described in Section 7 of this Commitment, or a lesser amount to be determined prior to close of the Loan based on a project budget approved by Agency; and

   b. **SHRA MIHF loan:** Seven Hundred Fifty Thousand Dollars and No Cents ($750,000.00), which is inclusive of the Five Hundred Thousand Dollars and No Cents ($500,000.00) or a lesser amount to be determined prior to close of the Loan based on a project budget approved by Agency; and
c. Housing Authority seller carryback land loan of $180,000 (One Hundred Eighty Thousand Dollars and No Cents) or an amount justified by an updated fair market value appraisal.

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

6. **INTEREST RATE**: The Loan will bear simple interest at three percent (3%) per annum. Interest shall be calculated on the basis of a 365-day year and actual number of days elapsed.

7. **PREDEVELOPMENT LOAN**
The following terms and conditions will apply to the Predevelopment Loan:
   a. **Project**: 39th and Broadway
   b. **Borrower**: The Related Companies of California, LLC, a California limited liability corporation, or related entity.
   c. **Predevelopment Loan**: The principal amount of the Agency’s Predevelopment Loan is comprised of HOME program funds associated with 3923, 3925 and 3921 39th Street and 3900 and 3908 Broadway, Sacramento, California 95817 is Five Hundred Thousand Dollars and No Cents ($500,000.00) with a zero percent interest rate (0.00%).
   d. The Maturity Date for the Predevelopment Loan shall be the date which is the earlier to occur of: (i) December 31, 2023 or extended upon mutual agreement; or (ii) the close of the $7,620,000 construction and permanent loan from Lender to Borrower for the Project (“Construction Loan”). Upon Borrower’s satisfaction of all conditions precedent to the funding of the Construction Loan for the Property, the Loan Proceeds not yet repaid to Lender pursuant to the Note shall be paid off in full with the loan proceeds from such Construction Loan, and be secured by the security instruments, if any, executed by Borrower in connection therewith and shall be repaid pursuant to the terms of the documents evidencing such Construction Loan. Subject to the funding of the Construction Loan and full repayment of the Loan, the Note will be released. For the avoidance of doubt, the $7,620,000 Construction Loan is inclusive of the $500,000 Predevelopment Loan proceeds.
   e. **Subordination**: The Predevelopment Loan may be subordinated to any new Agency debt that is recorded against the property.

8. **ANNUAL REPAYMENT**: Annual principal and interest payments shall be made according to the structured payment schedule contained in the final Loan Agreement and as calculated to achieve a minimum annual debt service coverage ratio of 1.2:1. 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.

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: HOME, Mixed Income Housing Funds, and Housing Authority 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.

10. **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)

11. **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.

12. **SECURITY:** The Loan shall be evidenced by promissory note(s) secured by a deed of trust with assignment of rents against the fee and/or leasehold interest in the Property and Improvements, which shall be a lien upon the Property and Improvements subject only to liens senior to the Agency’s lien securing loans from a conventional lender or other lender 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 the development of the Property. The Agency will not subordinate the regulatory agreement(s) to said deeds of trust in order to preserve the affordable housing covenants.

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

14. **PROOF OF EQUITY:** Borrower shall provide proof of equity for the Property and Improvements in the approximate amount of no less than $13,600,000 in Low Income Housing Tax Credit Equity and no less than $350,000 in deferred developer fee. If LIHTC equity goes below $13,600,000 the equity must be offset by an increase in deferred developer fee or other non-Agency funding source.

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

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

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

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

16. **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) Tax Credit 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.

17. **SOILS AND TOXIC REPORTS:** Borrower has submitted to the Agency a hazardous substances report made in accordance with the American Society for Testing and Materials "Standard Practice for Environmental Site Assessments; Phase I Environmental Site Assessment Process" (Designation E1527-13) prepared by a licensed or registered environmental engineer or other qualified party prior to Loan closing. Borrower must, as a condition of disbursement of Loan funds, provide assurances satisfactory to the Agency that hazardous materials are not present on the Property or that any hazardous materials on the Property will be remediated and that no further remediation is then required by the environmental agency having responsibility for monitoring such remediation.

18. **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.

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

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

21. 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.

22. ECONOMIC OPPORTUNITY EMPLOYMENT REQUIREMENTS: The Loan will require that to the greatest extent feasible, opportunities for training and employment be given to lower income residents in and around the area of the project. Borrower will instruct its Contractor and its subcontractors to utilize lower income project area residents as employees to the greatest extent feasible.

23. RETENTION AMOUNT: The Agency shall retain ten percent (10.0%) of the total amount of the Loan as retention and shall be released when the Agency determines all conditions to final disbursement of the Loan have been satisfied.

24. 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.
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 sixty (60) days following the close of construction financing.

26. **COMPLETION OF CONSTRUCTION:** Borrower shall complete the construction of the Improvements no later than twenty-four (24) months following the close of construction financing.

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

28. **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.

29. **PROPERTY INSURANCE:** Borrower shall procure and maintain property 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 $25,000.00.

30. **COMMERCIAL GENERAL LIABILITY AND OTHER INSURANCE:**

   a. Commercial general liability insurance, in Insurance Services Office (ISO) policy form CG 00 01 or equivalent, with limits of liability not less than: $1,000,000 per occurrence, and $5,000,000 general aggregate, all per location of the project, such coverage to include contractual liability to include bodily injury, property damage and personal injury;

   b. Personal injury insurance with the employment exclusion deleted, unless the Agency gives prior written approval for the employment exclusion to remain in the policy;

   c. Commercial automobile liability insurance for any vehicle used for or in connection with the project, in an amount not less than $1,000,000 and approved in writing by Agency; and
31. **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 nos. 9.6 and 9.7 (or CLTA endorsement nos. 100 and 116) and ALTA endorsement no. 25 (or CLTA endorsement no. 116) insuring Agency in an amount equal to the principal amount of the Loan and covenants, conditions or restrictions of the Loan, that Agency's Deed of Trust constitutes a third lien or charge upon the Property and Improvements subject only to such items as shall have been approved by Agency. There must be no exceptions permitted for mechanics liens. Title insurance for the Loan must be issued by a title insurer approved by Agency.

32. **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.

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

34. **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.

35. **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.

36. **AFFIRMATIVE FAIR MARKETING:** Borrower agrees to follow the Agency’s Affirmative Marketing Policies that require outreach to groups least likely to apply for the
housing based on local demographic information, providing sufficient marketing time prior to lease Up (as defined in the Affirmative Marketing Policies), and lotteries or other method for initial Lease Up and initial waiting list creation, as agreed upon by the Agency and Borrower prior to the start of Lease Up.

37. **RESIDENT SERVICES AGREEMENT**: Prior to execution, Borrower must submit to Agency any agreement providing for the resident services by a third party which agreement is subject to Agency Approval. The agreement must include on-site resident services according to the following minimum schedule of fifteen (15) hours per week:

   a. Coordinator: Four (4) hours per week (maximum)
   b. Senior Programming: Balance of minimum eleven (11) hours per week shall include, but are not limited to:
      i. Education classes such as nutrition, exercise, health resources, health insurance application assistance and annual onsite health fair.
      ii. Socialization activities such as bingo, gardening and community building events.
      iii. Other services such as transportation assistance and counseling assistance.

38. **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.

39. **SMOKE-FREE ENVIRONMENT**: 100% of the buildings and units must be smoke free (including all forms of smoking that create secondhand smoke that impacts the health of nonsmokers). In addition, all indoor common areas must be smoke-free. Clearly-marked designated smoking areas must be provided.

40. **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.

41. **CONSISTENCY OF DOCUMENTS**: As a material obligation under this Commitment, 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.

42. **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.

43. **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.
Signatures appear on the following page.
Sincerely,

__________________________________
La Shelle Dozier, Executive Director

The undersigned acknowledges and accepts the terms and conditions of the Commitment and Scope of Development and Rental Property Minimum Construction Standards (Exhibit 1), and has executed this Commitment as of the Effective Date.

BORROWER:
The Related Companies of California, LLC,
a California limited liability company

By: ________________________________
    Ann Silverberg, Vice President

Attachment:
Exhibit 1 - Scope of Development and Rental Property Minimum Construction Standards
Exhibit 1 - Scope of Development

39th and Broadway Senior Apartments

PROJECT DESCRIPTION:
This 39th and Broadway Senior Apartments (Project) is new construction of a three-story affordable senior residential building, including 43 residential units, a community room, management offices, and laundry facilities. The residential units are a mix of seven (7) studios and thirty-seven (36) one-bedroom units. The site is comprised of two properties that are separated by an alley. To the west of the alley is a 0.55-acre site owned by SHRA. The site to the east of the alley is owned by All Nations Church in Christ and is 0.22 acres. The SHRA site consists of two parcels, one of which is zoned C-1-PD and other zoned R-1. The east parcel is zoned C-1-PD. The building will be constructed on the north side of the west parcel within the C-1 zoned area, with the exception of three (3) stacked one-bedroom units to be built on the R-1 portion of the site.

A small maintenance building will also be located within the R-1 zone to service the main building and shield the outdoor space from the parking and alley traffic. Four tuck-under parking spaces and two additional parking spaces are provided on the west parcel adjacent to the alley and 16 spaces will be constructed on the east parcel, which is consistent with zoning. When completed, this development will be managed in conjunction with the Arbors Senior Apartments, an existing/adjacent 56-unit senior development developed and owned by the team responsible for the Project. Exterior design elements from the Arbors - massing, articulation and materials - have been replicated to integrate the two sites. Gross building square footage is approximately 35,511 and unit square footage is approximately 22,833.

Landscape improvements include a community garden, a courtyard patio and shade structure adjacent to the community room, stormwater detention areas, and street trees and other planting adjacent to the public right of way along 39th and Broadway. A tiered planting plan including a colorful pallet of flowering shrubs, grasses and trees will be used to screen the parking at the east parcel adjacent to Broadway. The landscaping plan satisfies the City’s open space requirements and the planting plan at the east parcel meets the City’s shading requirements for the proposed parking.

I. MITIGATION MEASURES:
Borrower/Owner will adhere to the Mitigation Measures required and detailed in the following reports by Nichols Consulting Engineering:

1. Remedial Work Plan (i.e., soil vapor remediation),
2. Operations and Maintenance Plan, and
3. Mitigation, Monitoring and Reporting Plan.
II. BUILDING EXTERIORS:

1. **Asphalt Pavements:** 22 parking spaces are proposed, representing a parking ratio of 0.51 per unit. ADA required spaces will be provided. With the exception of four (4) tuck-under spaces.

2. **Open Space:** The project exceeds the city’s requirements for open space. The current plan includes 6,100 SF or open space. The requirement by code is 4,400 SF.

3. **Site Lighting:** The site will include Title 24 compliant wall packs, pole lights and other luminaires for all parking and outside public spaces, and will be of LED or similarly energy efficient type.

4. **Non-Smoking:** The Project is 100% non-smoking.

5. **Landscaping and Courtyard:** Landscaping will be designed with drought tolerant plants and trees. Trees will be planted in the parking lot to meet City shading requirements. Landscaped areas will be serviced by a programmable irrigation system. A courtyard is proposed at the center of the U-shaped building and will function as an extension of the community room. The courtyard will be programmed during the design development phase. We would expect there to be BBQ areas and seating areas. We are proposing a small community garden, but this will be more fully explored once we develop the plan for stormwater retention.

6. **Mailboxes:** New mailboxes will be installed in at the building entrance.

7. **Site Fencing:** A 6’-0” high wood fence along any property line that abuts an existing single family residence and a metal picket fence to enclose the parking lot.

8. **Stormwater:** The development will comply with storm water requirements.

9. **Roof:** The building will have a flat roof and parapets in order to provide a platform for solar hot water panels, potential PV panels, and mechanical equipment. We will use a cool roof to passively counteract the warm conditions of Sacramento County.

10. **Siding:** The building exterior will be a combination of stucco and cementitious siding material.

11. **Offsite Improvements:** The Borrower will comply with City requirements for the offsite improvements as reflected in the building permit issued for the project and the stamped plan set.

12. **Stairs:** To be interior (2-hour rated enclosure) wood-framed stairs with slip resistant surfacing.
III. BUILDING INTERIORS:

1. **Americans with Disabilities Act (ADA) Units:** A minimum of 10% of the units will be accessible with mobility features, and 4% of the units will include communications features for persons with hearing or vision impairment to comply with TCAC’s requirements. All other units will conform the requirements of the California Building Code, Chapter 11A for Adaptable units.

2. **Non-Smoking:** The Project will have 100% non-smoking units.

3. **Smoke Detectors:** All units, offices and interior common areas will have a smoke/carbon monoxide detector installed in accordance with current code requirements.

4. **Appliances:** All apartment kitchens will have brand new Energy Star rated appliances including, refrigerator with freezer combination (Energy Star Rated), electric stove and range, dishwasher (Energy Star Rated) and a garbage disposal.

5. **Bathtubs and Toilets:** The project will be bid with standard tub/shower enclosures and an add/alternate to install roll-in showers at the wood-framed units and at the ground floor units. We will make a determination once the bids have been collected about whether to integrate roll-in showers. Restrooms will have water efficient toilet and fixtures, and bath accessories. Tub surrounds will be one unbroken piece per wall.

6. **Doors (Interior and Exterior):** All interior and exterior doors will have matching hardware finishes. All exterior doors will have deadbolt locks, keyed latch assemblies, and viewers. Dwelling entry door hardware shall have single action hardware to release deadbolt and latch assembly. All doors will meet current egress standards.

7. **Cabinets, Microwave Shelves, Counters and Sinks:** Plywood cabinets, shelving for microwaves and outlet for microwave (with the exception of ADA units), solid surface or granite countertops and stainless steel sinks will be installed in the kitchen. Bathrooms will have the same cabinets and countertops as the kitchen and the porcelain sinks will be installed.

8. **Ceilings and Walls:** Low or no VOC paint will be used in building interiors.

9. **Windows:** All apartments will have energy efficient vinyl dual pane windows. Windows designed to open will have screens. All windows will meet current egress standards.

10. **Blinds:** Vertical blinds will be provided in all apartment windows.

11. **Electrical and Lighting:** All apartments will have high efficiency LED lighting, ceiling fans (Energy Star Rated), exhaust fans vented to the exterior and bathroom humidistat fans.
12. **Flooring:** Apartment interiors will have vinyl plank (LVP) at least 12 mils flooring throughout, except in bathrooms where they will have vinyl sheet flooring.

13. **Plumbing Fixtures:** All apartments will have new water efficient plumbing fixtures.

14. **HVAC & Plumbing Systems:** Each apartment will have its own split system air conditioning and forced air heat, or similar, with its own thermostat. A gas-fired central boiler augmented by solar thermal panels will provide hot water for the development. Bathroom exhaust fans will be humidistat controlled.

15. **Low Voltage Wiring:** All units will be wired for access to cable, satellite and internet service.

### IV. COMMUNITY AMENITIES:

1. **Management Office and Lobby:** The furnished management office and lobby will have energy efficient lighting and HVAC systems. Flooring will be a commercial grade carpet.

2. **Ceilings and Walls:** Low or no VOC paint will be used in all building interiors.

3. **Community Restrooms:** Two community restroom will be provided either within the community room or in an adjacent location and will be ADA compliant, with low-flow bathroom fixtures. Wainscoting and the flooring material will be tile.

4. **Community Room located on the 1st Floor:** To meet SHRA’s requirements for 1,200 SF of community space, we have converted the 1bdrm unit adjacent to the offices to community space. All common area spaces will be ADA compliant. Kitchen equipment integrated into the space will be energy star rated and will include a refrigerator, stove, microwave, dishwasher and a garbage disposal. The countertops will be granite or solid surface. Flooring material will be vinyl plank (LVP) minimum of 20 mils thick.

5. **Elevator:** One hydraulic elevator will be installed.

6. **Laundry Facility:** Each of the three floors will have a laundry room containing two washers and two dryers (total of three laundry sets). The laundry rooms will be sized to provide the proper clearances for ADA and will include an ADA compliant washer and dryer per floor. Flooring will be a vinyl sheet to provide a cleanable, impervious surface.

7. **Signage:** A comprehensive signage package will be implemented throughout the development including all common area signage, unit ID, wayfinding, code, fire, life and safety signage.

8. **Trash Collection:** The plan includes a primary trash collection area with trash chutes provided for upper floors located in the southeast portion of the site and accessible at the alley by the trash collector.

9. **Recycle:** The project will comply with any requirements for recycling.
10. **Bicycle parking:** The project will comply with the City’s requirements for bike parking.

11. **Security Cameras:** A web-based security camera system will be included to monitor the primary ingress/egress points to and from the site, as well as parking lots and indoor and outdoor common areas where people will be congregating.

12. **Community Garden:** An approximately 350 SF community garden is proposed. The size of the community garden may be impacted by the storm water management requirements.

Attachment 1: Lender’s Minimum Construction Standards follows and is incorporated in this Scope of Development.
Attachment 1: Lender’s Minimum Construction Standards
This attachment is from Exhibit 2 from the Lender’s Multifamily Lending and Mortgage Revenue Bond Policies.

RENTAL PROPERTY MINIMUM CONSTRUCTION STANDARDS

The following is a list of the required minimum construction standards that must be incorporated into projects participating in SHRA’s Multifamily Financing and/or Mortgage Revenue Bond programs. All rental units and sites associated with these projects must meet or exceed these standards. Exceptions to these standards may be made for properties subject to U.S. Department of Housing and Urban Development replacement reserve requirements that allow for renovation over time rather than at recapitalization (e.g., Rental Assistance Demonstration conversions for conventional public housing).

Note: For rehabilitation projects, all of the following standards shall apply. The non-rehabilitation sections below shall apply to new construction projects.

Useful Life Expectancy – Rehabilitation only

SHRA shall reference the current edition of FannieMae’s “Instructions for Performing a Multifamily Property Condition Assessment, Appendix F. Estimated Useful Life Tables” in determining the useful life for all building components and systems located within the project. A remaining useful life of 15 years or more is required for all building components and systems located within the approved complex. All items on the FannieMae tables with useful lives indicated to be less than 15 years shall be replaced.

General Requirements

A. All materials funded under this loan must be new unless previously approved. Recycled items must be approved in writing by SHRA prior to their use.

B. All work shall comply with Federal and State ADA accessibility requirements, as well as any other requirements stipulated by the funding source(s). When there are differences the stricter of the two shall apply. The developer is responsible for notifying their architect and/or engineer of all funding sources used on the project. The architect and/or engineer must indicate these funding requirements in the project’s plans/scope.

C. All units shall be approved for occupancy by the local Building Department or any other Agency Having Jurisdiction (AHJ) at the conclusion of the work and prior to occupancy.

D. Web-based security cameras and the equipment to record events are required for primary ingress/egress points to and from the site and for the principal parking and indoor and outdoor common areas where people will be congregating.

E. Site lighting is required for all parking and outside public spaces, and shall be of LED or similarly energy efficient type. The lenses on the exterior lights shall be cleaned with all oxidation removed or replaced. Light poles shall be new or painted, and shall be structurally sound and stable.

F. The developer’s architect is responsible for providing an Operating Procedure Outline Sheet (OPOS) for window washing systems where applicable, per Cal-OSHA requirements.

G. SHRA encourages the use of energy and water-efficient systems wherever they may be incorporated into the project.

General Requirements – Rehabilitation only

A. Any component of the project which does or may present a health or safety hazard to the public or tenants shall be corrected to the satisfaction of the local Building Department or AHJ.
B. A clear pest inspection report will be required at the conclusion of the construction work for rehabilitation projects.

C. For all structures where disturbance of any hazardous materials (e.g. lead, asbestos, mold, etc.) will occur, a clearance report from an environmental consultant is required.

D. Projects deemed historically significant landmark by either the City of Sacramento or the National Register of Historic Places shall consult with the State Historic Preservation Officer (SHPO), and shall conform to the Secretary of the Interior Standards for the Treatment of Historic Properties.

Site Work

A. Trees and large shrubs must be trimmed, grass areas must be mowed, and all planter areas must be weed-free. The landscape design shall incorporate a sustainable design appropriate for the Sacramento Valley. Vegetation that assists in minimizing crime and enhances public safety is preferred. Trees compromising building envelope materials (roofing, siding, windows, etc.) and/or structural integrity (including foundations) must be removed. An arborist shall be consulted for an opinion on trees prior to major branch trimming, root cutting or tree removal. All trees, bushes and other plants that are to be removed shall have the root ball removed by grinding or by mechanical means. A landscape plan describing the above must be provided to SHRA for approval.

B. All landscaped areas must be served by a programmable automated irrigation system. The irrigation controller shall be a “Smart Controller” that senses rain to reduce water use. Irrigation shall be designed to use bubblers and other water saving measures. Irrigation must not spray on building. Sprinklers should minimize overspray that runs to storm drain drop inlets. Areas that show evidence of erosion of soil shall be landscaped to eliminate problems. The landscape plan must be approved by SHRA and applied.

C. For gated communities containing swinging vehicle gates, driveways shall be striped to show the area under the gate swings for safety purposes.

D. All projects shall contain trash enclosures with concrete aprons. Trash enclosures shall be made of cinder block or stucco. Trash enclosures shall be accessible to all tenants. Provisions for tenants with disabilities must be addressed in the project Scope of Development or the project plans.

E. All projects shall meet the parking requirements of the local Agency Having Jurisdiction (AHJ) over the project. "Grandfathered Projects" will need to show that they are in fact “Grandfathered” or otherwise exempted by the local AHJ. Otherwise, all projects shall meet the governing ADA requirements for parking.

F. A two percent (2%) slope shall be maintained for a distance of five feet from all structures and no standing water shall remain on the site. Provide an on-site drainage system if necessary.

G. Stairways in common areas must include closed risers and non-slip concrete finish or other slip-resistant material on the treads.

H. Exterior mounted electrical, mechanical, and plumbing systems must be protected from vandalism.

I. For family projects of 50 or more units, a minimum of one school age-appropriate play structure is required. For family projects of 100 or more units, a minimum of one school age and one toddler-appropriate play structure is required.

Site Work – Rehabilitation only

A. All landscaping and irrigation systems must be in a well-maintained condition.

B. All fencing must be in good and serviceable condition. Existing fencing that is to remain shall be free of flaking paint, rust, or any other signs of failure. If existing fencing shows any signs of failure, it shall be repaired, painted and restored to look new. All chain link fencing must be removed and replaced with fencing of another
approved material. All pedestrian gates hardware must be functional and in new or near-new condition. Access Control systems are required at exterior pedestrian gates.

C. All driveways and sidewalks must be in good condition. All cracked or uplifted areas (more than ¼”) shall be repaired or replaced.

D. The asphalt shall be in good condition, with no alligator cracking, longitudinal cracking, potholes, or standing water. Repairs to portions of parking lots not suitable for new coatings shall be performed by removing and replacing damaged paving. A new seal-coat or slurry-coat shall then be applied to the entire parking lot surface. Parking spaces shall be restriped, including ADA aisles and other applicable striping/painting.

E. All site accessories (bollards, benches, tables, play equipment, bike racks, mailboxes, shade structures, BBQs, sheds, etc.) shall be replaced or in good repair (cleaned, painted and/or re-coated).

Building Envelope and Moisture Protection – Rehabilitation only

A. All areas exposed to moisture must be sealed and watertight. Buildings showing evidence of water intrusion shall have the areas inspected by a licensed architect/engineer or by a certified water intrusion expert. A water intrusion report shall be submitted to SHRA, and shall include the cause of the issue and a resolution to eradicate the water intrusion. If the inspection cannot be completed until the demolition phase of the project, the report shall describe a procedure to inspect the issue during demolition.

B. Roofing must have 15 years or more of remaining life with no visible signs of leakage. For roofs containing composition shingles, a maximum of two layers of shingles are allowed (including any proposed new layers). Provide evidence that the roof system has a 15-year life remaining on the manufacturer’s warranty.

C. All siding must have 15 years or more of remaining life. Hairline cracks in stucco must be sealed and painted with elastomeric paint. If requested by SHRA, a statement by a licensed architect and/or engineer that the existing siding contains at least 15 years of useful life remaining shall be provided.

D. Fireplaces must be clean and meet applicable air quality standards. Chimneys shall be clean and must be inspected by a certified chimney inspector for structural integrity. All recommended structural repairs shall be performed.

Doors and Windows

A. All dwelling/tenant units must have screens on all windows that are designed to open. Windows designed to open must have functional locks and must operate freely without excessive effort. All windows must be dual-paned (minimum), and shall meet or exceed the State of California’s currently applicable efficiency standards, and any other efficiency standards that may be dictated by the funding source or other governing bodies for the project.

B. All doors must have matching hardware finishes.

C. All exterior doors must have deadbolt locks, keyed latch assemblies, viewers, and screws in strike plates long enough to penetrate the door jamb framing by at least one inch. The dwelling entry door hardware shall have single action hardware to release deadbolt and latch assembly.

D. All sliding exterior doors shall have screen doors and shall have functional locks and must operate freely without excessive effort.

E. All doors and windows must meet current egress standards.

Doors and Windows – Rehabilitation only

A. Any windows showing signs of condensation or leakage of any kind shall be replaced. SHRA allows window replacement using retrofit windows when those windows are installed by trained professionals following
manufacturer’s specifications. Retrofit windows must have a similar useful life as “new, construction” (i.e., nail fin) windows.

B. All doors and doorjambs must be in good condition. No damaged or worn doorjambs or doors are allowed. Doors and/or jambs beyond their useful life shall be replaced.

**Casework**

A. New cabinet boxes shall be made of plywood or solid wood. No particle board boxes will be allowed.

B. All counter tops shall be of solid surface or granite, and in very good condition with no significant scratches, burns or other imperfections.

C. Face frames, doors and drawer faces shall be solid hardwood. No plastic laminate finishes will be allowed.

**Casework – Rehabilitation only**

A. All cabinets shall be replaced or in very good condition, within their 15 year useful life, both structurally and in appearance.

**Finishes**

A. All dwelling unit kitchens shall contain luxury vinyl plank (LVP) flooring. Bathrooms must be floored with LVP, sheet vinyl or ceramic tile to provide a cleanable, impervious surface. Bedrooms, hallways, and living and dining rooms may be floored with carpeting, LVP or hardwood. Wear layer of LVP shall be at least 12 mils inside dwelling units. Tenant unit entries shall be floored with LVP or ceramic tile.

B. In common areas, corridors may be floored with LVP, glue-down carpeting, or carpet tiles. Community rooms and kitchens shall be floored with LVP. Wear layer of LVP in common/commercial areas shall be a minimum of 20 mils thick.

C. Carpet shall meet or exceed the minimum standards as set by HUD’s UM-44D bulletin.

**Finishes – Rehabilitation only**

A. Floor coverings must be in good, useable condition - no holes, tears, rips, or stains.

B. All exterior and interior surfaces must be painted. No peeling, cracking, chipping, or otherwise failing paint will be allowed. All painted surfaces must be new, or in near new condition and appearance.

C. Acoustic (popcorn) ceiling texture must be removed and refinished with new texture to match wall texture.

**Equipment**

A. Dishwashers, refrigerator/freezer, oven, stoves and garbage disposals are required in all dwelling unit kitchens. All appliances must be new or in very good operating condition. All appliances must be Energy Star rated, as applicable. Appliances slated for ADA units shall be per code requirements.

B. SRO projects are encouraged to provide the appliances listed above and will be reviewed and approved on a case-by-case basis.

C. All kitchens must have adequate cabinet and counter space. Installation of shelving for microwaves is required if over-the-range microwaves are not used, with the exception of ADA units.
**Furnishings**

A. Dwelling units must have window coverings on all windows.

**Special Construction**

A. Non-habitable structures on property must be painted to match primary buildings and must be structurally sound.

B. Laundry facilities must, at a minimum, be consistent with CTCAC requirements of one washer and dryer for every ten dwelling units for family housing and one for every 15 units for senior and special needs projects. Ten percent of the total number of washer/dryers must be ADA-accessible machines (unless the ADA units contain their own laundry facilities). Solid surface countertops will be required within laundry rooms and countertops shall meet all ADA requirements.

C. Public pool areas shall have self-closing gate(s). Fences and gates at pool areas shall meet applicable current codes and standards. Joints between coping and concrete deck shall be appropriately caulked. Existing pools shall have no cracks in plaster or tile grout joints. The Developer is responsible for ensuring pool and surroundings meet all applicable current codes and standards. If a project contains two or more pools, at least one must remain following rehabilitation.

**Mechanical/Plumbing**

A. Water heaters must be installed per current applicable codes.

B. All common areas and tenant units must have heating and air conditioning. Wall mount (i.e. PTAC units) or central systems are acceptable. Evaporative coolers are not acceptable. HVAC units should be protected from vandalism, pursuant to discretion of SHRA.

C. Toilets, showerheads, faucets, and mixing valves shall be new and meet current water conservation codes.

D. Tub surrounds must be one unbroken piece per wall and must be of solid surfaces (such as “Swanstone” or other solid acrylic materials, quartz composites), or other similar materials. Fiberglass/acrylic surrounds are acceptable.

**Mechanical/Plumbing – Rehabilitation only**

A. All toilets, sinks, and tubs shall be chip and stain free.

**Electrical**

A. All units must have smoke/carbon monoxide detectors installed per current code.

B. Wiring from telephone/data/cable suppliers shall be installed within walls, attic spaces, and/or crawl spaces. No conduits are allowed to be mounted on the exterior of the buildings in new construction.

C. Broadband infrastructure meeting the requirements of 24 CFR 5.100* is required in all new construction projects of 4 or more units.

*Broadband infrastructure means cables, fiber optics, wiring, or other permanent (integral to the structure) infrastructure, including wireless infrastructure, that is capable of providing access to Internet connections in individual housing units, and that meets the definition of “advanced telecommunications capability” determined by the Federal Communications Commission under section 706 of the Telecommunications Act of 1996 (47 U.S.C. 1302).
Electrical – Rehabilitation only

A. All electrical panels shall meet current code.

B. Any rehabilitation projects with un-grounded electrical systems shall be re-wired with grounded systems to meet current code.

C. For rehabilitation projects, switches, outlets and light fixtures shall be replaced with devices that meet current applicable codes.

D. Wiring mounted on the exterior of the surface may be allowed if it is concealed in conduit and conduit is painted to match exterior siding. For projects where exterior siding will be removed, this wiring shall be installed within walls, attic spaces, and/or crawl spaces.

Resident Services Community Space

All properties, regardless of project type (i.e. senior, family, or large family), must devote a minimum of 1,200 s.f. to actual resident services/community space. Resident services space includes common kitchens, computer rooms, meeting rooms and general gathering space. It does not include public restrooms, leasing offices, laundry facilities and lobbies. Common kitchens are required, including refrigerator, stove, garbage disposal, and dishwasher.

For existing buildings, these requirements shall apply unless SHRA deems there to be significant physical constraints.

End of Scope of Development.