

RESOLUTION NO. 2025-055

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ELK GROVE
APPROVING A CONDITIONAL LOAN COMMITMENT OF THREE MILLION THREE
HUNDRED FORTY-EIGHT THOUSAND THREE HUNDRED AND EIGHTY-FIVE
DOLLARS (\$3,348,385) FROM THE CITY OF ELK GROVE AFFORDABLE HOUSING
FUND FOR THE SHELDON FARMS NORTH PHASE I AFFORDABLE HOUSING
DEVELOPMENT BY SHELDON FARMS, L.P. AND ABODE COMMUNITIES
(CEQA EXEMPT)**

WHEREAS, the City of Elk Grove (the “City”) has recognized the need to provide affordable housing to all economic segments of the City; and

WHEREAS, the City’s Affordable Housing Development Impact Fee provides financial resources to promote and assist in the development of new affordable housing in the City; and

WHEREAS, the Affordable Housing Fund (Fund) may be used to provide assistance with new rental residential development costs for low-income and very low-income housing; and

WHEREAS, the City received through land dedication an approximately 5.0 net acre parcel (APN 116-0012-070) known as Sheldon Farms North (Site), for the purposes of developing the site as affordable housing; and

WHEREAS, the City, following a Request for Proposals process, selected Abode Communities to develop the Site as affordable housing and entered into a Letter of Intent providing Abode Communities and/or their affiliated entities the exclusive right to pursue development of the Site; and

WHEREAS, Abode Communities created Sheldon Farms, L.P., a California limited partnership, for the purposes of developing and owning the portion of the Site devoted to the Phase I Project; and

WHEREAS, Sheldon Farms, L.P., proposes to develop a 122-unit affordable housing project, including one unrestricted unit available for the full-time property management staff, known as Sheldon Farms North Phase I (the “Project”), and has submitted a request for gap financial assistance from the City to help achieve financial feasibility for the Project and maximize the affordability of Project units; and

WHEREAS, the City will consider declaring the Site (or a portion of the Site devoted to the Phase I project) exempt surplus and entering into a Disposition and Development Agreement following the approval of entitlements for the Site; and

WHEREAS, the use of the City’s housing funds in the manner described below will be of benefit to the City in assisting in the development of affordable housing opportunities for low- and very low-income households; and

WHEREAS, the proposed Project would provide housing that furthers the goals and policies of the City’s General Plan Housing Element in a manner consistent with the state-mandated Regional Housing Needs Allocation requirement determined for the City by the Sacramento Area Council of Governments; and

WHEREAS, the Affordable Housing Committee on March 31, 2025, completed an independent review of the loan application and underwriting, and recommended that the City Council approve a loan commitment of \$3,348,385 for the Project, pursuant to defined loan terms.

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Elk Grove hereby finds that approval of the conditional loan commitment by this resolution is exempt from further environmental review under the provisions of the California Environmental Quality Act (CEQA) based on the findings and evidence set forth below:

Finding: The approval of the subject conditional loan commitment for an affordable housing project does not constitute the approval of a project under the California Environmental Quality Act (CEQA) and is exempt from further CEQA review.

Evidence: The Council's action only approves a conditional loan commitment and will not cause a direct physical change in the environment, nor a reasonably foreseeable indirect physical change in the environment. The Council's action at this stage is merely a conditional commitment by the City to issue a loan to the project, and it does not constitute the approval of the project. The Council's action, therefore, does not constitute the approval of a project under CEQA, and it is exempt from CEQA. (Pub. Res. Code § 21065, CEQA Guidelines §§ 15060(c),(2)(3); 15061(b)(3); 15064(d)(3); 15352; 15378; *Laurel Heights Improvement Association of San Francisco, Inc. v. The Regents of the University of California*, 47 Cal.3d 376, 398 (1988))

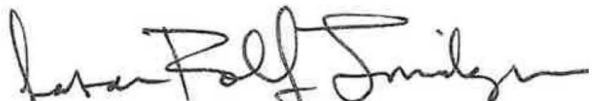
AND, BE IT FURTHER RESOLVED that the City Council of the City of Elk Grove hereby approves the Conditional Loan Commitment request for the Sheldon Farms North Phase I Project and does hereby determine that the City shall conditionally loan up to three million three hundred forty-eight thousand three hundred eighty-five dollars (\$3,348,385) to the Project, subject to the terms and conditions of the Loan Term Sheet attached hereto as Exhibit A and incorporated herein by reference.

PASSED AND ADOPTED by the City Council of the City of Elk Grove this 9th day of April 2025



BOBBIE SINGH-ALLEN, MAYOR of the
CITY OF ELK GROVE

ATTEST:



JASON LINDGREN, CITY CLERK

APPROVED AS TO FORM:



JONATHAN P. HOBBS,
CITY ATTORNEY

EXHIBIT A
Loan Term Sheet: Sheldon Farms North – Phase I
 For Council Consideration | April 9, 2025

	Proposed Term																																						
Lender	City of Elk Grove (“City”)																																						
Borrower	Sheldon Farms, L.P., a limited partnership created for this Project (“Borrower”)																																						
Loan Amount	The Loan Amount is \$3,348,345. Such amount is subject to the Cost Savings section set forth below. Of the total Loan Amount, \$1,289,595 is provided as direct financing to purchase the Phase I Land. The Phase I Land price is calculated at 80 percent of its appraised value.																																						
Funding Source	Affordable Housing Fund																																						
Interest Rate	4% simple interest per annum (Affordable Housing Fund portion)																																						
Term	City loan to have a term of 55 years. Balance due on sale. For amount due on refinancing, see “Refinancing” section.																																						
Purpose	<p>Construction and operation of a 122-unit affordable apartment project (commonly known as Sheldon Farms North I, or “Project”) that is deed-restricted by means of a Regulatory Agreement for 55 years. The Project shall be located at a portion of 8851 Bruceville Road (APN 116-0012-070) in the City of Elk Grove (“Phase I Land”), which Borrower shall purchase from the City concurrent with the closing of the construction financing necessary to construct the Project. A 118-unit affordable apartment project (commonly known as Sheldon Farms North II, or “Phase II Project”) is also planned for the balance of 8851 Bruceville Road (APN 116-0012-070) in the City of Elk Grove (“Phase II Land”).</p> <p>The affordability mix for the Project is as shown:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th rowspan="2">Affordability Level (% of AMI)</th> <th rowspan="2">Total</th> <th colspan="3">Number of Bedrooms</th> </tr> <tr> <th>1BD</th> <th>2BD</th> <th>3BD</th> </tr> </thead> <tbody> <tr> <td>30%</td> <td style="text-align: center;">35</td> <td style="text-align: center;">28</td> <td style="text-align: center;">3</td> <td style="text-align: center;">4</td> </tr> <tr> <td>40%</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>50%</td> <td style="text-align: center;">36</td> <td style="text-align: center;">11</td> <td style="text-align: center;">15</td> <td style="text-align: center;">10</td> </tr> <tr> <td>60%</td> <td style="text-align: center;">36</td> <td style="text-align: center;">12</td> <td style="text-align: center;">11</td> <td style="text-align: center;">13</td> </tr> <tr> <td>70%</td> <td style="text-align: center;">14</td> <td style="text-align: center;">6</td> <td style="text-align: center;">4</td> <td style="text-align: center;">4</td> </tr> <tr> <td>Unrestricted</td> <td style="text-align: center;">1</td> <td style="text-align: center;">0</td> <td style="text-align: center;">1</td> <td style="text-align: center;">0</td> </tr> </tbody> </table> <p>*AMI is the area median income, adjusted for household size.</p>	Affordability Level (% of AMI)	Total	Number of Bedrooms			1BD	2BD	3BD	30%	35	28	3	4	40%	-	-	-	-	50%	36	11	15	10	60%	36	12	11	13	70%	14	6	4	4	Unrestricted	1	0	1	0
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	Proposed Term
<p>Purpose (cont'd)</p>	<p>The Borrower may modify the affordability mix to ensure the project remains competitive for other proposed affordable housing financing, provided that the average affordability remains at or below 50%. Any proposed changes to the number of units per bedroom count must be approved by the City in writing in advance of Borrower filing a funding application with such changes.</p> <p>In the event of a loss of project-based vouchers or other operating subsidy for the Project, Borrower and City will meet and confer in good faith to attempt to resolve any resulting Project cash flow shortfall. Any permitted rent increases will be subject to the applicable regulations of all financing sources used for the Project, and will be permitted only to the extent and for the time necessary based upon an evaluation of Project cash flow at the time the rent increases are proposed to be implemented. Borrower agrees to use best efforts to diligently seek additional sources of Project subsidy or adjustments in the terms of Project financing provided by lenders other than City in efforts to avoid the necessity for rent increases. Borrower shall in good faith apply for and accept all available renewals for project-based rental assistance and/or operating subsidy for the Project. If Borrower receives notice that any project-based rental assistance or operating subsidy for the Project has been or will be terminated or reduced, Borrower shall promptly notify City in writing, and shall make every effort to find alternative subsidies or financing structures that would enable the rents, income-targeting, and occupancy restrictions set forth in the Regulatory Agreement to be maintained. Nothing herein shall obligate the City to provide additional funding to the Project.</p> <p>The unrestricted unit must be occupied by either the full-time property manager, full-time assistant property manager, or full-time maintenance supervisor.</p> <p>Project amenities between Sheldon Farms North Phase I and Phase II must include pedestrian walkways; central lawn spaces; splash pad plaza, play area for ages 5 to 12 with safety surfacing, bench seating, and shading; play area for ages 2 to 5 with safety surfacing, bench seating; outdoor BBQ and picnic area; bicycle parking; bench seating throughout outdoor common areas and pedestrian walkways; outdoor tables and chairs; bike storage rooms, community and fitness rooms, office space for provision of resident services, laundry facilities, and lighted parking. Residents shall have reciprocal access to all amenities located at the Phase II Project.</p>
<p>Unit Occupancy</p>	<p>Borrower commits to working with the City to address homelessness, including by implementing a policy moving homeless Elk Grove households to the top of the waitlist for any vacant unit for which they are qualified.</p> <p>At the City's request, Borrower shall implement a randomized process to allocate units to qualified interested persons ("Lottery") at the time of initial lease-up. To the extent allowable by fair housing laws, homeless Elk Grove households referred by the City will take precedence over persons selected through the Lottery. Units set aside for persons with an intellectual or developmental disability referred through the Alta California Regional Center or who otherwise qualify for Section 811 project-based rental assistance will have a separate entry process, to be reasonably approved in advance by the City's Housing and Public Services Manager.</p>

	Proposed Term
	<p>Borrower shall (1) perform annual income certifications or recertifications and adjust unit affordability accordingly; and (2) provide City, within 14 days of City’s request, copies of any annual income certifications or recertifications. For example, this means that a household initially living in a 30% AMI unit and whose household income rises to 50% AMI would have their rent adjusted to the 50% AMI level, and the next available unit would be made available to a household earning 30% AMI. Nothing in this policy shall require Borrower to violate any regulation of the California Low Income Housing Tax Credit (“LIHTC”) Program, California Department of Housing and Community Development (“HCD”) Multifamily Housing Program (“MHP”), California Department of Developmental Services (“DDS”), or project-based rental assistance contracts (collectively, “Affordable Housing Financing”) or fair housing laws. Borrower understands that these requirements may be beyond what is required by other Affordable Housing Financing.</p>
Social Services	<p>On-site social services must include provision of resident support for no less than 15 hours per week, including up to 10 hours per week of after-school programming. Resident support services, including after school programming, must be offered at staffing ratios adequate to support the level of demand from residents and commensurate with the number of units on the property. A resident services coordinator (or equivalent position) must be on-site weekly and available by phone on weekdays. The social services provider shall conduct a resident needs assessment at initial move-in and every 18-24 months thereafter, and submit a social services plan to the City for approval biennially. Social services provider will provide reports to the City at least quarterly containing qualitative and quantitative data on activities offered and resident participation in activities.</p> <p>On-site social services may be offered jointly with the Phase II Project provided that the level of demand for the Project and Phase II Project is met and commensurate with the number of units served by the service provider. If services are offered jointly, equal access to all services must be offered to residents of the Phase I Project and Phase II Project.</p>
Timing of Funding	<p>The City shall provide an initial disbursement of \$1,289,595 at closing of construction financing as part of the total Loan Amount, provided that the Borrower concurrently completes the purchase of Phase I Land from the City.</p> <p>Disbursements of the remaining \$2,058,750 balance of the total Loan Amount shall be as follows:</p> <ol style="list-style-type: none"> 1. 40% when the Project’s framing inspection for all buildings is certified as complete by the City’s Building Official, and provided that Borrower has posted payment and performance bonds for the full amount of the construction contract. 2. 20% when the Project has received temporary Certificate of Occupancy for all buildings and the City has received proof of unconditional lien releases for general contractor or proof to City’s satisfaction that Borrower has posted a bond, at Borrower’s expense, from which to pay any judgment later entered against Borrower or the property as a result of the lien, and proof of clear title to the satisfaction of the City; any bond issued pursuant to this section shall be in an amount sufficient to fully satisfy the lien, plus other recoverable costs and attorney’s fees resulting from a judgment against Borrower.

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	<p>3. 20% when the Project has received final Certificate of Occupancy for all buildings and the City has received proof of unconditional lien releases for general contractor or proof to City’s satisfaction that Borrower has posted a bond, at Borrower’s expense, from which to pay any judgment later entered against Borrower or the property as a result of the lien, and proof of clear title to the satisfaction of the City; any bond issued pursuant to this section shall be in an amount sufficient to fully satisfy the lien, plus other recoverable costs and attorney’s fees resulting from a judgment against Borrower.</p> <p>4. 10% upon (1) approval by the City of the Project’s Cost Certification prepared and signed by a third-party CPA, (2) a final construction inspection by City confirming that the Project was constructed and completed in the manner and form approved by City, and (3) the City has received proof of unconditional lien releases for all subcontractors or proof to City’s satisfaction that Borrower has posted a bond, at Borrower’s expense, from which to pay any judgment later entered against Borrower or the property as a result of the lien, or expiration of the lien period has occurred with no liens filed that have not been bonded for and proof of clear title to the satisfaction of the City; any bond issued pursuant to this section shall be in an amount sufficient to fully satisfy the lien, plus other recoverable costs and attorneys’ fees resulting from a judgment against Borrower.</p> <p>5. 10% when the Project has achieved “Project Stabilization.”</p> <p>“Project Stabilization” will be defined as:</p> <ol style="list-style-type: none"> 1. Physical occupancy of no less than 95% of all units; 2. Three (3) consecutive months of sustained economic occupancy (net rent collected divided by gross rent potential) of at least 95%; and 3. Three (3) consecutive months of sustained operating performance at or above a debt coverage ratio of 1.15 (inclusive of all amortizing debt payments).
Annual Payments	<p>Following completion of construction, annual payments to the soft lenders on the project will be equal to 50% of Residual Cash Flow, of which the City of Elk Grove will receive a percentage equal to its proportional amount of soft debt to the Project (the “City’s Share”).</p> <p>Residual Cash Flow is defined as all rental and other income generated by the Project after:</p> <ol style="list-style-type: none"> 1. Payment of the following operating expenses for the Project: <ol style="list-style-type: none"> a. Property management fee not to exceed the lesser of 1) \$840 per unit per annum, with a 3.5% escalator per annum, or 2) 6.0% of the Project’s effective gross income; b. Advertising, legal, accounting, security, and other general office administration expenses; c. Utilities; d. Payroll expenses and payroll taxes; e. Maintenance, repairs, grounds, pool, and turnover costs; f. Property insurance;

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	<p style="margin-left: 40px;">g. Taxes and assessments; and h. Costs of social service programs offered to residents.</p> <ol style="list-style-type: none"> 2. Cash deposited into the Project’s Replacement Reserve and/or Operating Reserve in such amounts as are required by the Project lenders (including the City) and/or tax credit investor (including a requirement that if drawn, operating reserves must be replenished prior to any distributions of cash flow); 3. Cash deposited into escrow for property taxes and/or insurance as may be required by any of the Project Lenders; 4. Payment of senior loan debt service; 5. Payment of asset management fees to the tax credit investor limited partner in an amount no greater than \$7,500 per annum starting in the first year the Project receives a certificate of occupancy and escalating at no more than 3% per year; 6. Payment of asset management fees to the Managing General Partner of the Project partnership in an amount no greater than \$25,000 per annum with payments starting in the first year the Project receives a certificate of occupancy and escalating at no more than 3% per year; 7. Payment of the deferred portion of the Adjusted Developer Fee, if any. <p>Note: All payments not specified above, including those to General Partner(s), Limited Partner(s), or parties related thereto, and including but not limited to asset management fees, incentive fees, monitoring or oversight fees, and performance fees will be “below the line” and payable only from Residual Cash Flow.</p> <p>Further, any identity of interest costs (e.g. use of a related party management company, vendor, or the like) included within the Project’s annual operating budget must be disclosed and approved by the City as necessary and reasonable. The City approves The John Stewart Company as property manager for the Project.</p>
Balloon Payment	At the expiration of the loan term, 100% of the principal balance of the loan and all accrued interest will be due.
Refinancing	City approval shall be required for any proposed refinancing, including the senior permanent financing; provided however, no City consent shall be required to the refinance of the senior permanent financing upon its maturity provided that the new loan has a principal balance not greater than the outstanding balance of the senior permanent financing immediately prior to repayment plus any commercially reasonable costs associated with such refinancing.
Security	<p>City loan will be secured by a deed of trust, UCC filing, and assignment of rents and leases junior to construction and permanent financing sources set forth.</p> <p>The City loan will be in a junior position, behind senior permanent financing in the amount of approximately \$3,287,000, tax-exempt bond financing, and loans from public entities in principal amounts greater than the City’s</p>

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	<p>loan. City approval shall be required for any changes to the senior financing, with such approval not to be unreasonably withheld.</p> <p>City will require joint and several corporate guarantees from the underlying corporate owners of the general partner(s), member(s), or other controlling entities of the Borrower, the individual owners of any shell entities engaged in the ownership of the Borrower and its partner(s), member(s), or other controlling entities, and from any other guarantors required by the other financing sources investing in the Project.</p> <p>Required guarantees will include:</p> <ol style="list-style-type: none"> 1. A guarantee of Project completion from Abode Communities; and 2. A guarantee for full and prompt payment of any loss, damage, liability, action, cause of action, cost, or expense incurred by City as a result of, and to the extent of, i) fraud or material gross misrepresentation, ii) intentional bad faith waste, iii) losses resulting from Borrower/Borrower's failure to properly maintain insurance, iv) gross misappropriation of any of the rents, security deposits, loan proceeds, insurance proceeds, condemnation awards, or any other proceeds derived from the collateral security; and/or v) unauthorized disbursements of Residual Cash Flow.
Bidding/Procurement	<p>All construction subcontracts must be competitively and publicly bid, with a minimum of three qualified bids for each trade or subtrade. Borrower to provide all bid records to City upon request. Borrower must make a reasonable effort to secure a minimum of three qualified bids, including by publicly publishing notices related to bid opportunities in local or regional newspapers and providing plans and bid documents online. Borrower must also advertise bid opportunities via the Sacramento Regional Builder's Exchange and the Sacramento Housing and Redevelopment Authority's MBE/WBE/Section 3 contractors list. Borrower shall provide City with a list of all bids received by Borrower, including the name of the bidder and contract information and the bid details.</p> <p>Awards to any firm other than the lowest responsive and responsible bidder, in cases where the selected firm's bid exceeds the lowest responsive and responsible bid by more than 15%, must be approved in advance by the City. Procurement of non-construction goods and services shall be substantiated by a minimum of three cost estimates for like items for all purchases over \$50,000; if the lowest-cost provider is not selected, written justification must be provided. City shall respond to such requests for approval within ten (10) business days of receipt of said request and shall not withhold approval unreasonably. If the City fails to respond to any request within the ten (10) business day period, the City's approval shall be deemed to have been granted.</p> <p>The parties agree that if Borrower breaches this term, it will be impracticable or extremely difficult to determine the damages suffered by the City. It is therefore agreed that (1) upon the second instance of Borrower's failure to comply with this term, Borrower shall pay the City the sum of \$2,500 as liquidated damages, and (2) upon the third instance of Borrower's failure to comply with this term, and for each additional instance of non-compliance thereafter,</p>

	Proposed Term
	<p>Borrower shall pay the City the sum of \$5,000 as liquidated damages. The amount of liquidated damages set forth herein shall be deducted from the available City Loan Amount.</p>
<p>Change Orders</p>	<p>Written authorization from City for all change orders and/or line item budget adjustments of \$125,000 or more for construction costs and \$25,000 or more for soft costs is required. City shall respond to such request for approval within ten (10) business days of receipt of said change order and shall not withhold approval unreasonably. If the City does not respond to any request within such ten (10) business day period, City's approval shall be deemed to have been granted.</p> <p>The parties agree that if Borrower approves change orders or other line item budget adjustments in excess of the above-noted amounts and without the City's written authorization prior to approval, City loan funds may not be used or applied to cover the cost of said change order.</p> <p>Borrower shall submit to City monthly construction reports, which shall include contracts awarded, change orders approved, and status of completion by line item.</p>
<p>Cost Savings</p>	<p>If, at the completion and stabilization of the Project development as evidenced by the filing of IRS Form 8609, there are excess proceeds as a result of a reduction in total development costs or a net increase in other permanent sources compared to the Project's approved Financing Plan after considering all final sources of funding and adjustments thereto that have been reasonably approved by the City (as will be further defined in the loan agreement between Borrower and the City), City shall, at its option, be entitled to reduce the Loan Amount to the Project by the City's Share of such excess proceeds or approve the deposit of such an amount to the Project's Replacement Reserve. In the event the City has fully disbursed its loan prior to the Project's completion, the Borrower will make a one-time payment credited against the principal balance of the loan (i.e. effectively treating that portion of the City loan as construction lending only).</p>

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Bonding	<p>Payment and performance bonding will not be required on the construction if the City does not provide funding during construction and the senior lender’s loan documents do not obligate the City to fund any portion of the Project cost prior to issuance of final Certificates of Occupancy. Unconditional lien releases or proof to City’s satisfaction that Borrower has posted a bond, at Borrower’s expense, from which to pay any judgment later entered against Borrower or the property as a result of the lien and satisfactory evidence of clear title will be accepted in lieu of payment and performance bonding for the purposes of the loan documents; any bond issued pursuant to this section shall be in an amount sufficient to fully satisfy the lien, plus other recoverable costs and attorneys’ fees resulting from a judgment against Borrower. Payment and performance bonding may be required for construction of public improvements per City policy and State law.</p>
Developer Fee	<p>The Adjusted Developer Fee shall be limited to 10% of total development cost, excluding the developer fee itself. “Adjusted Developer Fee” shall mean the total developer fee as allowed under CTCAC regulations, less the amount contributed as equity to the Project that is in excess of 10% of total development cost, excluding the developer fee itself.</p> <p>In the event of increases in the total development cost, the developer fee will not be increased proportionately. The total developer fee and the Adjusted Developer Fee shall be fixed upon the Project’s successful application for tax credits and will be based on the total developer fee and Project costs specified within such application.</p>
Insurance	<p>Borrower and Project must carry insurance that meets the requirements of Attachment B of the Request for Proposals due on June 30, 2023. Proof of workers compensation and automobile insurance will be provided by The John Stewart Company as the property manager for the Project. Further, the City retains the right to update insurance requirements (e.g. coverage limits) for its Affordable Housing Program from time to time. The Project must agree to comply with any such updates so long as those requirements are reasonable and consistent with standards applied to affordable housing projects financed with LIHTC.</p> <p>Additionally, insurance proceeds must be used wholly to repair or rebuild property in the event of damage except for those insurance proceeds specifically allocated for covering rent loss or loss of tax credits due to the casualty, as long as defined as a separate benefit in the policy.</p>
Reporting	<p>During initial lease-up of Project units, Borrower will provide the City with monthly financial and occupancy reporting. Following Project Stabilization, Borrower may provide quarterly financial and occupancy reporting. Audited financial statements demonstrating compliance with the formula for the distribution of cash flow as described in the “Annual Payments” section of this term sheet will be due not later than the first month of the second quarter of the year following the reporting year. Failure to comply with the reporting requirements will result in liquidated damages of \$100 per violation per month, provided that Borrower has failed to cure the non-compliance within 30 days from written notice from City.</p>

	Proposed Term
	<p>Additionally, the City reserves the right to reasonably alter, supplement, or otherwise modify the frequency or content of required reports as needed to maintain adequate oversight of the Project, to address findings related to noncompliance by the Project, or to standardize reporting requirements across its portfolio of assisted projects.</p>
Conditions	<p>The funding of the City loan is conditioned on the following:</p> <ol style="list-style-type: none"> 1. The Project has secured the unconditional commitment of all funding sources necessary to develop the Project. Those sources currently contemplated include a construction loan, tax-exempt bonds, 4% tax credit equity financing (or such substantially similar substitute financing as may be available from the California Tax Credit Allocation Committee), HCD MHP financing, HCD Infill Infrastructure Grant funding, and financing from the California Department of Developmental Services; however, so long as the Project is in balance (i.e. funding sources equal projected Project costs), these sources may be revised prior to construction closing and any draw down on the City’s loan. 2. The Borrower has obtained and maintained clear title to the property to the satisfaction of the City. 3. The Borrower and City have agreed as to the form of loan documents and regulatory agreement(s) and have each executed the documents. 4. All insurance requirements are met. 5. A market study and an as-built appraisal that meet the Affordable Housing Loan Program Guidelines requirements have been submitted. 6. The Borrower and City have agreed as to the form and substance of a Disposition and Development Agreement which shall be executed by the City and Borrower and the Project’s design, specifications, and construction plans substantially conform with the terms of the Disposition and Development Agreement.
Commitment Length	<p>City loan commitment terminates if the City and Borrower have not executed the Disposition and Development Agreement referenced in Condition 6 above (“DDA”), prior to December 31, 2025, subject to extension by the City Manager if the City Manager determines progress toward a final DDA is being made. If the City and Borrower have executed a DDA within the foregoing time period, this loan commitment will terminate twenty-four months (24) months after the date of this loan commitment, unless an extension of up to six (6) months is approved by the City Manager in his sole discretion.</p>
Regulatory Agreement	<p>Borrower shall enter into a Regulatory Agreement, in a form provided by the City, which will include an affordability covenant to be recorded against the property, senior to all liens and junior only to the TCAC LURA, CDLAC, and any HCD regulatory agreements (if required by HCD guidelines or policy), for the Project requiring that the units remain affordable at levels consistent with the affordability mix in the “Purpose” section. Borrower shall provide all proposed regulatory agreements or other forms of deed restriction for the City’s review and approval prior to execution. The Regulatory Agreement must remain against the property, binding against all successors in interest, for the full term,</p>

	Proposed Term
	<p>even in the event of foreclosure by the senior lender. Notwithstanding the forgoing, upon the earlier to occur of recordation of the transfer of title pursuant to a foreclosure sale or a deed in lieu of foreclosure of a senior deed of trust, City agrees that (i) all restricted units under the regulatory agreement may be leased to households whose income levels are at or below fifty percent (50%) of AMI, and (ii) may be leased for a monthly affordable rent not to exceed the product of 1/12th of 30% times 50% of the AMI adjusted for family size appropriate for the unit. Such changes to restricted units must be made at vacancy and may not be applied to any tenant whose tenancy is in place at the time for the foreclosure sale or deed in lieu of foreclosure.</p>
Reserves	<p>Borrower must establish and shall maintain an Operating Reserve Account and a Replacement Reserve Account (collectively, the Reserve Accounts). All Reserve Accounts shall be held in interest-bearing segregated accounts held in banks or credit unions fully licensed to do business in the State of California and insured to the maximum limit of either the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Association (NCUA) as applicable. Any interest earned on the Reserve Accounts shall remain within the Reserve Accounts.</p> <p>All Reserve Accounts shall remain in place through the restriction period notwithstanding any change in ownership and in no circumstances may be disbursed for “exit taxes” upon any future transfer of limited partner interests.</p> <p>Any withdrawal or transfer from the Reserve Accounts in excess of \$25,000 and other than for emergency repairs, shall require the written approval of the City, by and through its designee. The City’s approval or request for additional information to substantiate the need for the withdrawal or transfer shall be provided within ten (10) business days of its receipt of a request for such action.</p> <ol style="list-style-type: none"> 1. Operating Reserve Account: Not later than receipt of 8609s, Borrower shall fund and maintain an Operating Reserve Account of not less than three months of underwritten operating expenses, replacement reserve deposits, and debt service. After Project Stabilization, the Operating Reserve Account may be used to pay operating costs and expenses to the extent the collected gross receipts are insufficient for such purpose. Further, the Operating Reserve Account may not be used to pay any identity of interest costs, including management fees. If drawn upon, the Operating Reserve Account must be replenished from cash flow to its required minimum balance prior to distributions of Residual Cash Flow, where Residual Cash Flow is defined as above plus a) repayment of partner loans paid pursuant to the partnership agreement, and b) tax credit adjustor payments due pursuant to the partnership agreement. 2. Replacement Reserve Account: Borrower shall fund a Replacement Reserve Account with annual deposits in the first year following construction completion (which may be prorated based on the actual date of completion) equal to \$500 per unit per year. Disbursements from this Replacement Reserve Account shall be for the purpose of effecting replacement of structural elements and mechanical equipment of the Project or for other similar purposes for the benefit of the Project.

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	<p>If not otherwise independently required by TCAC, prior to a Transfer Event, Borrower shall submit to the City a Qualified Capital Needs Assessment. The entity which shall own the Project subsequent to the Transfer Event (the “Post Transfer Owner”) shall covenant to the City that the Post Transfer Owner (and any assignee thereof) shall:</p> <ol style="list-style-type: none"> 1. Set aside at the closing of the Transfer Event adequate funds to perform the Short Term Work; 2. Perform the Short Term Work within three years from the date of the Transfer Event; 3. Make monthly deposits to reserves as are necessary to fund the Long Term Work, taking into account any balance in replacement reserve accounts upon the conclusion of the Transfer Event beyond those required by Section 1 of this clause; and 4. Complete the long term work when required, or prior thereto, pursuant to the Qualified Capital Needs Assessment. <p>For purposes of this section, the following terms shall have the following meanings:</p> <ol style="list-style-type: none"> 1. “Qualified Capital Needs Assessment” shall mean a capital needs assessment for the property dated within one hundred eighty (180) days of the proposed Transfer Event which is prepared by an independent third-party architect, engineer, or other qualified firm approved by the City and clearly sets forth (1) the capital needs of the Project for the next three (3) years (the “Short-Term Work”) and the projected costs thereof, and (2) the capital needs of the Project for the subsequent twelve (12) years (the “Long Term Work”) and the projected contributions to reserves that will be needed to accomplish that work. 2. “Transfer Event” shall mean (1) a transfer of the ownership of the Project, (2) the sale or assignment of a partnership interest in Borrower and/or (3) the refinancing of secured debt on the Project. The following shall not be deemed a Transfer Event: (1) the transfer of the Project or a partnership interest in Borrower in which reserves remain with the Project and the debt encumbering the Project is not increased, refinanced or otherwise modified, (2) the refinancing of Project debt which does not increase the outstanding principal balance of the debt other than in the amount of the closing costs and fees paid to the Project lender and third parties as transaction costs, provided that reserves remain with the Project, (3) the replacement of a general partner by a limited partner upon the occurrence of a default by a general partner in accordance with partnership agreement of the Project owner, or (4) a transfer pursuant to a foreclosure or deed in lieu of foreclosure to a non-related party.
Operating Budget Oversight	<p>Prior to the beginning of its fiscal year, Borrower shall submit a proposed operating budget to the City for review and approval. The City shall respond to such requests for approval within ten (10) business days of receipt of said request and shall not withhold approval unreasonably. If the City does not respond to any request within such ten (10) business day period, City’s approval shall be deemed to have been granted. The proposed budget must i) identify any identity of interest or related party costs if the management company is an affiliate of the Borrower, ii) compare the proposed budget to the prior year’s (or trailing 12 month) actual operating costs, and iii) provide explanations of substantive changes in the budget.</p>

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<p>Distributions of Residual Cash Flow</p>	<p>Borrower shall not make distributions of Residual Cash Flow to any Controlling Entity or related parties, other than for normal operating costs in the annual budget approved by the City, without written approval by the City based on a determination by the City that:</p> <ol style="list-style-type: none"> 1. No default in the terms of the City’s loan or related documents exists and is continuing; 2. All required Reserve Accounts and escrows have been initially funded and replenished in accordance with the terms of the loan documents; 3. The most recent annual audit of the Project has been received by the City and shows no unresolved material weaknesses or unresolved findings; and 4. Making a distribution of Residual Cash Flow will not require the property to access Operating Reserve Accounts. <p>To obtain approval to make a Residual Cash Flow distribution, Borrower shall submit to the City a request at least thirty (30) business days prior to any anticipated distribution together with a current financial statement for the Project that will enable the City to assess criteria above. Borrower shall provide a prompt response to the City’s requests for additional documentation, if needed. The City shall respond to such requests for approval within ten (10) business days of receipt of said request and shall not withhold approval unreasonably. If the City does not respond to any request within such ten (10) business day period, City’s approval shall be deemed to have been granted.</p> <p>Unauthorized distributions of Residual Cash Flow will result in liquidated damages of \$1,000 per day, provided that Borrower fails to return any unauthorized distributions within three (3) business days of written notice from City.</p>
<p>Other</p>	<p>The City’s willingness to make the loan as anticipated herein is contingent upon and made with specific reliance on the evaluation of the specific individuals and entities making up the Borrower.</p> <p>Borrower agrees that no sale or transfer of general or limited partnership interests, member interests, managing member interest, or other controlling interest in the Borrower will be made without the prior written consent of the City. This will include but is not limited to:</p> <ol style="list-style-type: none"> 1. The voluntary or involuntary re-assignment of the role of general partner, managing member, or other controlling entity or individual (collectively the “Controlling Entities”) to another entity or individual; 2. Sale or transfer of the interest of any owner of a Controlling Entity; 3. Sale or transfer of any other interests in Borrower, including but not limited to a limited partner interest, special limited partner interest, or member interest. <p>Notwithstanding anything to the contrary in this Agreement or any other Loan Document, the City consents to the transfer of the limited partnership interests in Borrower and the removal of the general partner of Borrower by the investor limited partner for cause, and the replacement of the general partner with an affiliate of the investor limited</p>

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	<p>partner in accordance with the terms of the partnership agreement. Borrower must provide notice of such transfer to the City at least 30 days prior to the transfer.</p> <p>Additionally, the City's willingness to make the Loan as anticipated herein is also contingent upon and made with specific reliance on the evaluation of the planned property manager for the Project. Initially, and throughout the term of this Agreement, the City must approve of any property management company, or another similar agent, employed by the Borrower. The City's approval of a specific property management company or agent for the Project may be withdrawn at any time, and upon notice of same the Borrower will identify and contract with a property manager otherwise acceptable to the City.</p> <p>Initially, the City has approved The John Stewart Company as the property manager for the Project.</p>

CERTIFICATION
ELK GROVE CITY COUNCIL RESOLUTION NO. 2025-055

STATE OF CALIFORNIA)
COUNTY OF SACRAMENTO) ss
CITY OF ELK GROVE)

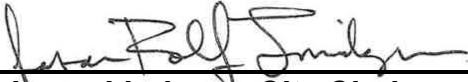
I, Jason Lindgren, City Clerk of the City of Elk Grove, California, do hereby certify that the foregoing resolution was duly introduced, approved, and adopted by the City Council of the City of Elk Grove at a regular meeting of said Council held on April 9, 2025 by the following vote:

AYES: **COUNCILMEMBERS:** *Singh-Allen, Robles, Brewer, Spease, Suen*

NOES: **COUNCILMEMBERS:** *None*

ABSTAIN: **COUNCILMEMBERS:** *None*

ABSENT: **COUNCILMEMBERS:** *None*



Jason Lindgren, City Clerk
City of Elk Grove, California