

ALL CELL PHONES AND ELECTRONIC DEVICES MUST BE TURNED OFF
IN THE COUNCIL CHAMBERS

AGENDA

OVERSIGHT BOARD FOR SUCCESSOR AGENCY TO THE CITY OF REEDLEY REDEVELOPMENT AGENCY

SPECIAL MEETING

3:00 P.M. – TUESDAY, NOVEMBER 26, 2013

Meeting will be held at:

**City of Reedley Council Chambers
845 "G" Street
Reedley, California 93654
City of Reedley's Internet Address: www.reedley.com**

Board Members

Lawrence Wilder, County of Fresno Representative
Steve Mulligan, Special District Representative
Richard Martin, County Superintendent of Schools Representative
Andy Souza, State Center Community College District Representative
Valerie Pieroni, County of Fresno Representative
Paul Melikian, City of Reedley Representative
Kevin Fabino, City of Reedley Representative

PLEDGE OF ALLEGIANCE

ROLL CALL

PUBLIC COMMENT

At this time any member of the public may address the board on items of interest which are not already on the agenda this evening. You will be permitted a single visit to the podium to state your comments, please state your name and address and limit your comments to three (3) minutes. No action shall be taken on any item not appearing on the agenda.

CONSENT AGENDA

1. MINUTES OF MEETING, NOVEMBER 5, 2013 – Recommend Oversight Board approve.

BUSINESS ITEM

2. ADOPT RESOLUTION NO. OB 2013-005 - ADOPT RESOLUTION NO. OB 2013-005 OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER REEDLEY REDEVELOPMENT AGENCY APPROVING AND AUTHORIZING THE CITY MANAGER OF THE CITY OF REEDLEY TO EXECUTE VARIOUS DOCUMENTS FOR THE REEDLEY FAMILY APARTMENTS PROJECT
 - A) IMPLEMENTATION AGREEMENT AND OMNIBUS MODIFICATION OF LOAN DOCUMENTS
 - B) LOAN SUBORDINATION AGREEMENTS AS REQUIRED BY OTHER PROJECT LENDERS
 - C) PROPERTY MANAGEMENT CONTRACT AND MANAGEMENT PLAN

RECEIVE INFORMATION & REPORTS

ADJOURNMENT

Certification of posting the Agenda

I declare under penalty of perjury that I am employed by the City of Reedley and that I posted this agenda on the bulletin board at City Hall, 845 G Street, Reedley, CA 93654, on November 22, 2013, at 10:00 a.m. by Ellen Moore, Assistant Planner.

A complete audio recording of the minutes is available at www.reedley.com

A special meeting of the Reedley Oversight Board was held Tuesday, November 5, 2013, in the City of Reedley Council Chambers, 845 “G” Street, Reedley. Chairman Wilder called the special meeting to order at 2:15 p.m.

ROLL CALL

Board Members Present: Lawrence Wilder, Kevin Fabino, Richard Martin (arrived at 2:22 p.m.), Paul Melikian, and Valerie Pieroni.

Board Members Excused: Andy Souza and Steve Mulligan.

City Staff Present: Ellen Moore, Assistant Planner.

Others Present: Scott Cross.

PUBLIC COMMENT – None.

CONSENT AGENDA

1. MINUTES OF MEETING, SEPTEMBER 24, 2013

Board Member Pieroni moved, Board Member Melikian seconded, to approve the MINUTES OF SEPTEMBER 24, 2013 MEETING. Motion carried unanimously.

BUSINESS ITEM

2. A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER REEDLEY REDEVELOPMENT AGENCY APPROVING A LONG-RANGE PROPERTY MANAGEMENT PLAN PREPARED PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34191.5

- Board Member Melikian provided a written and oral report to the Oversight Board regarding the Long-Range Property Management Plan. The Board reviewed and discussed the actions taken.

Hearing no testimony in favor or in opposition, Chairman Wilder closed this portion of the meeting.

Board Member Pieroni moved, Board Member Fabino seconded, to approve the actions taken by the City of Reedley Redevelopment Agency. Motion carried unanimously.

RECIEVE INFORMATION & REPORTS

Board Member Melikian gave an oral report regarding the various agreements and documents related to the Reedley Family Apartments project that were tentatively scheduled to be brought to the Board in late November, early December. The Board discussed the report.

ADJOURNMENT

Board Member Pieroni moved, Board Member Martin seconded, to adjourn the meeting. Motion carried unanimously. The meeting adjourned at 2:28 p.m.

Lawrence Wilder, Chairman
Reedley Oversight Board

ATTEST:

Paul Melikian, Secretary



REEDLEY OVERSIGHT BOARD

- Consent
- Regular Item
- Workshop
- Closed Session
- Public Hearing

ITEM NO: 2

DATE: 11/26/2013

TITLE: ADOPT RESOLUTION 2013-005 APPROVING AND AUTHORIZING THE CITY MANAGER OF THE CITY OF REEDLEY TO EXECUTE VARIOUS DOCUMENTS FOR THE REEDLEY FAMILY APARTMENTS PROJECT

- A) IMPLEMENTATION AGREEMENT AND OMNIBUS MODIFICATION OF LOAN DOCUMENTS
- B) LOAN SUBORDINATION AGREEMENTS AS REQUIRED BY OTHER PROJECT LENDERS
- C) PROPERTY MANAGEMENT CONTRACT AND MANAGEMENT PLAN

SUBMITTED: Paul A. Melikian, Director of Finance & Administrative Services

RECOMMENDATION

That the Oversight Board adopt resolution 2013-005 approving the attached: A) Implementation Agreement and Omnibus Modification of Loan Documents and B) Loan Subordination Agreements as required by other project lenders in substantial form as attached hereto, with future modifications and such additional documents meeting the approval of the City Manager and City Attorney as are reasonably necessary to implement the terms and intent of the approved documents and transaction, for the Reedley Family Apartments project to reflect changes to project scope and addressing various administrative matters. The item also authorizes the City Manager for the City of Reedley Successor Agency to the former Redevelopment Agency to execute all necessary documents pertaining to this project; including, but not limited to, the C) Property Management Contract and Management Plan for the subject property.

EXECUTIVE SUMMARY

The approval of the attached modification agreement and loan subordination agreements amends certain elements of the original documents pertaining to the funding and development of a multi-unit affordable housing project in the area of I Street and Shoemaker Avenue, known as the Reedley Family Apartments, as approved by the Reedley Redevelopment Agency Board on May 25, 2010; specifically:

- Reduction in the total number of units to be built from 80 to 48, consistent with the approved tax credit application;
- Updating the project budget and occupancy requirements to be consistent with 48 units;
- Modification of legal description and parcel map to be consistent with the modified scope of the project footprint;
- Loan disbursement occurring upon closing of the construction loan instead of at occupancy;
- Effective date of the loan agreement modified from November 1, 2011 to February 1, 2014;
- Addressing numerous administrative updates, such as legal party (Successor Agency vs.

RDA), date conflicts, addresses, etc.

- Subordinates the City Successor Agency loan to the project construction loan with Pacific Western Bank and loan funding from the State of California Housing & Community Development (HCD), a standard practice in affordable housing projects in California.

This item also grants approval to the City Manager for the City of Reedley Successor Agency to the former Redevelopment Agency to approve the Property Management Contract and Management Plan for the project, as required by the Owner Participation & Loan Agreement. Full copies of project documents are on file with the City Clerk and are available upon request; including: original Owner Participation & Loan Agreement; Promissory Note; Notice of Affordability; Regulatory Agreement; Deed of Trust; Property Management Contract, and Management Plan.

BACKGROUND

The original scope of the Reedley Family Housing affordable housing project was 80 units. However it is now being developed in two phases. Last year Corporation for Better Housing was contacted by the City and was informed that the previously approved \$750,000 RDA Loan was in jeopardy of being 'swept' back to taxing entities as a result of the dissolution of RDAs in the State of California. In order to retain the funds for the project, the development needed to make substantial progress towards commencing construction. The final and most critical piece of financing needed to fund the project was an allocation of tax credits from the California Tax Credit Allocation Committee (CTCAC). Tax credit funding is extremely competitive and the opportunity to apply is limited to two rounds each year. If the project did not receive tax credits in 2013, the DOF would most likely have 'swept' the \$750,000 Agency Loan funds and the City would have nothing to show for it except unmet housing goals.

Reedley Family Apartments had been competitive in previous rounds but had been beat out by projects in other jurisdictions that had a higher "Final Tie Breaker". The major component of the Final Tie Breaker measures the amount of committed permanent public funds (i.e.: RDA Funds, HOME Funds, HCD Funds, etc.) to total project development costs. After much discussion with the City, it was determined that the best way to ensure that the Reedley Family Apartments would be awarded tax credits in 2013 would be to reduce total project development costs by reducing the number of units to be built in Phase I. This strategy proved successful and the development received an allocation of tax credits and is now approximately a month away from commencing construction.

As part of the construction of the 48 unit Phase I, all on-site and off-site improvements for all 80 units will be completed so that the development will not appear half complete or sit undeveloped for years to come. In addition, Corporation for Better Housing is in the process of securing financing for Phase II of the development consisting of 32 units and hopes to follow up with construction of the additional units in the near future. When finished the development will consist of all 80 affordable units as originally planned.

Property Management Contract & Management Plan

In 2010, the City Council, acting in capacity of the then Redevelopment Board, expressed concerns over the owner providing assurances that the apartments would be maintained and managed to a level that would mitigate concerns by residents in the nearby subdivision. Some of the concerns were as follows and have been incorporated in the project documents, including the Property Management Contract and Management Plan:

- Provide reputable management of the site and apartments.
- Post current contact information on the exterior of the entrances. A person should be available

- at all times to receive complaints. Contact information to be provided to the Police Department.
- Host open tenant/neighborhood meetings quarterly to address issues. This requirement will only be in effect for the first two years, given the developer's other properties are operating smoothly without quarterly meetings.
 - Reported problems to be addressed within 48 hours or identify course of action to the City if they cannot be completed within the time frame.
 - Require that all vehicles onsite have valid registration and are operable at all times.

A full copy of the Property Management Contract & Management Plan is on file with the City Clerk for review.

FISCAL IMPACT

There is no new fiscal impact to the City or Successor Agency as a result of approving this modification of original loan documents, as the \$750,000 contribution remains unchanged and the funding has been retained/reserved by the agency as an Enforceable Obligation after several approvals by the State of California, Department of Finance. The Successor Agency's contribution of \$750,000 is just 7.2% of the overall project budget of \$10,385,524, comprised of the following funding sources:

Permanent Loan	\$ 972,519
AHP Loan	630,000
Successor Agency (RDA) Loan	750,000
HCD Joe Serna	1,000,000
Deferred Developer Fee	708,806
<u>Equity (Tax Credit Equity)</u>	<u>6,324,199</u>
Total Project Budget	\$10,385,524

Repayment of loan proceeds and interest occurs annually on April 15th based upon available "residual receipts" after all operating expenses have been paid. Certain reports including audited annual financial statements are due at least annually. Based on how affordable housing/tax credit funded projects usually cash flow, the Successor Agency should not expect repayment of principal or accrued interest in at least the first 10 years of the 55 year loan term. Any unpaid principal and interest is due and payable after 55 years.

The City of Reedley and/or other taxing entities will reap several economic benefits from the project, such as: one-time building permit and Developer Impact Fees; enhanced property tax assessment for the parcel; potential sales tax activity from new residents; Community Facilities District revenue for Police, Fire and Parks maintenance; and additional utility revenue into systems with infrastructure that has available capacity to service the development.

PRIOR OVERSIGHT BOARD ACTIONS

On April 12, 2012, the Oversight Board approved Recognized Obligation Payment Schedules (ROPS) for the periods of February 1, 2012 through June 30, 2012, and July 1, 2012 through December 31, 2012, which included the \$750,000 for the Reedley Family Apartments project. The project funds, shown as an Enforceable Obligation on the ROPS, were not disallowed by the Department of Finance. On August 23, 2012, the Oversight Board received the City of Reedley Successor Agency Housing Asset Reporting Form, in compliance with AB 1484, which also reported the \$750,000 obligation for Reedley Family Housing Project as a Low-Mod Encumbrances. The Department of Finance again did not object to this project as an Enforceable Obligation. And lastly, on October 4, 2012, the Oversight

Report to the Reedley Oversight Board
Modification of Loan Documents for Reedley Family Apartments Project
November 26, 2013

Board approved the Low & Moderate Income Housing Fund Due Diligence Review which identified this project as a previously approved Enforceable Obligation. The Department of Finance ultimately approved the retention of these funds on December 21, 2012 for the third time.

ATTACHMENTS

Resolution 2013-005
Implementation Agreement and Omnibus Modification of Loan Documents
Loan Subordination Agreements - Pacific Western Bank & HCD Joe Serna
Staff Report Dated May 25, 2010 - Original Approval of Participation and Loan Agreements

OB RESOLUTION NO. 2013-005

A RESOLUTION OF THE OVERSIGHT BOARD OF SUCCESSOR AGENCY TO THE FORMER REEDLEY REDEVELOPMENT AGENCY APPROVING AND AUTHORIZING THE CITY MANAGER OF THE CITY OF REEDLEY TO EXECUTE VARIOUS DOCUMENTS FOR THE REEDLEY FAMILY APARTMENTS PROJECT

WHEREAS, as authorized by applicable law, the City of Reedley has elected to serve as the Successor Agency to the former Reedley Redevelopment Agency; and

WHEREAS, on May 25, 2010, the Reedley Redevelopment Agency Board approved a loan of \$750,000 of Low and Moderate Income Housing funds, and various Agreements with Corporation for Better Housing pertaining to the funding and development of a multi-unit affordable housing project in the area of I Street and Shoemake Avenue in Reedley, California, known as the Reedley Family Apartments ('Project'); and

WHEREAS, progress on the Project was delayed by the developer's efforts to obtain an allocation of tax credits from the California Tax Credit Allocation Committee, a critical element of financing needed to complete funding for the Project; and

WHEREAS, on April 12, 2012, the Oversight Board approved Recognized Obligation Payment Schedules (ROPS) for the periods of February 1, 2012 through June 30, 2012, and July 1, 2012 through December 31, 2012, which included the \$750,000 for the Reedley Family Apartments project. The project funds, shown as an Enforceable Obligation on the ROPS, were not disallowed by the Department of Finance; and

WHEREAS, on August 23, 2012, the Oversight Board received the City of Reedley Successor Agency Housing Asset Reporting Form, in compliance with AB 1484, which also reported the \$750,000 obligation for Reedley Family Housing Project as a Low-Mod Encumbrances. The Department of Finance again did not object to this Project as an Enforceable Obligation; and

WHEREAS, on October 4, 2012, the Oversight Board approved the Low & Moderate Income Housing Fund Due Diligence Review which identified this Project as a previously approved Enforceable Obligation. The Department of Finance ultimately approved the retention of these funds and the loan for the Project on December 21, 2012, for the third time.

WHEREAS, in 2013, the Corporation for Better Housing was successful in obtaining an allocation of tax credits from the California Tax Credit Allocation Committee sufficient to completing funding for the Project and is ready to commence building and developing the Project; and

WHEREAS, as a result of the dissolution of the Reedley Redevelopment Agency and the delay in the Project funding, the original loan documents between the Reedley Redevelopment Agency and developer must be amended to replace the Successor Agency for the Redevelopment Agency, and other amendments to reflect changes to project scope and addressing various administrative matters; and

WHEREAS, the amendments to the original loan documents are contained in the attached Implementation Agreement and Omnibus Modification of Loan Documents and Loan Subordination Agreements, which must now be approved by the Successor Agency and Oversight Board; and

WHEREAS, the Oversight Board has received, reviewed and considered the attached Implementation Agreement and Omnibus Modification of Loan Documents and Loan Subordination Agreements, and considered all written and oral staff reports regarding the Project and any written and oral public comments on the Project, during a duly noticed public meeting held on November 26, 2013; and

NOW, THEREFORE, the Oversight Board of Successor Agency to the former Reedley Redevelopment Agency does hereby resolve as follows:

Section 1. Finds and determines that the foregoing recitals are true and correct.

Section 2. Approves the Implementation Agreement and Omnibus Modification of Loan Documents and Loan Subordination Agreements as attached hereto, and approves any future modifications to these Agreements and any loan documents and additional documents meeting the approval of the City Manager and City Attorney of the City of Reedley as are reasonably necessary to implement the terms and intent of the approved documents and transaction for this Project.

Section 3. Authorizes the City Manager for the City of Reedley Successor Agency to the former Redevelopment Agency to execute all necessary agreements and documents pertaining to this Project; including, but not limited to, the Property Management Contract and Management Plan for the subject property.

Section 4. Successor Agency staff is hereby authorized and directed to transmit this Resolution to the Department of Finance for review and approval.

Oversight Board Resolution 2013-005
Reedley Family Apartments Approval of Project Agreements & Documents

The foregoing resolution was adopted by the Oversight Board of Successor Agency to the former Reedley Redevelopment Agency at a special meeting held on November 26, 2013, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

DATED: November 26, 2013

APPROVED:

Lawrence Wilder
Chairman, Oversight Board

ATTEST:

Paul A. Melikian
Secretary, Oversight Board

**RECORDING REQUESTED BY
AND WHEN RECORDED MAIL
To:**

LOZANO SMITH
Attn: Scott G. Cross, Esq.
7404 N. Spalding Avenue
Fresno, CA 93720

SPACE ABOVE THIS LINE FOR RECORDER'S USE

**IMPLEMENTATION AGREEMENT AND
OMNIBUS MODIFICATION OF LOAN DOCUMENTS**
(Reedley Family Apartments)

This Implementation Agreement and Omnibus Modification of Loan Documents (the "**Agreement**") is entered into as of November 1, 2013 (the "**Effective Date**"), by and between the City of Reedley, a municipal corporation ("**Successor Agency**") as the successor agency to Reedley Redevelopment Agency ("**Agency**"), and 1110 S. I ST., L.P., a California limited partnership ("**Borrower**").

RECITALS

A. The Agency and Borrower previously entered into that certain Owner Participation and Loan Agreement dated as of June 10, 2010 ("**Loan Agreement**") pursuant to which Agency agreed to make a loan to Borrower in the amount of \$750,000 ("**Loan**"). The Loan is evidenced by that certain Promissory Note ("**Note**") dated as of June 14, 2010, which Note is secured by, among other things, that certain Deed of Trust with Assignment of Rents and Security Agreement ("**Deed of Trust**") dated as of June 14, 2010 and recorded on June 14, 2010 in the Official Records of Fresno County, California ("**Official Records**"), as Instrument No. 2010-0089603 encumbering certain real property thereon ("**Property**") and more particularly described therein. The Agency and Borrower also entered into that certain Regulatory Agreement and Declaration of Restrictive Covenants ("**Regulatory Agreement**") with respect to the Loan dated as of June 17, 2010 and recorded July 14, 2010 in the Official Records as Instrument No. 2010-0089604 which is evidenced by that certain Notice of Affordability Restrictions on Transfer of Property ("**Notice**") dated as of June 17, 2010 and recorded July 14, 2010 in the Official Records as Instrument No. 2010-0089607. The Loan Agreement, Note, Deed of Trust, Regulatory Agreement, and Notice are collectively referred to herein as the "**Loan Documents**."

B. On or about June 28, 2011, the Governor signed into law AB 1X 26, which provided for the dissolution and winding down of redevelopment agencies throughout the State

of California. On January 24, 2012, pursuant to AB 1X 26, the City of Reedley elected to be the Successor Agency to the Agency to administer the dissolution and winding down of the Agency. On February 1, 2012, pursuant to AB 1X 26, the Agency was dissolved by operation of law, and, upon dissolution, all assets, properties and contracts of the Agency, including the Loan Documents, were transferred, by operation of law, to the Successor Agency pursuant to the terms of Health and Safety Code § 34175 (b). The Loan is included as an “enforceable obligation” on the recognized obligation payment schedules of the Successor Agency pursuant to AB X1 26.

C. The Parties hereto wish to update certain terms of the Loan Documents as herein provided and to implement with more specificity the understanding between the Borrower and Successor Agency.

All capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Loan Agreement.

AGREEMENT

NOW, THEREFORE, based upon the mutual promises set forth herein and for other good and valuable consideration, the receipt of which is hereby acknowledged by the parties, the parties do hereby agree as follows:

1. Recitals. The recitals set forth above are true, accurate and correct.
2. Updates to Loan Documents.

2.1 Parties. All references in the Loan Documents to “Agency” are hereby updated to state “Successor Agency” and all references to “Agency Executive Director” or “Agency Board” are hereby updated to state “City Manager.”

2.2 Number of Units; Improvements. All references in the Loan Documents to “eighty (80)” as to the number of units to be constructed on the Property are hereby updated to state “forty-eight (48).”

2.3 Proposed Modification of Legal Description. The Parties hereto acknowledge that the Borrower will be recording a parcel map creating two separate parcels (“**Parcel Map**”) with respect to the Property. The Parties hereby agree that upon recordation of the Parcel Map a portion of the Property will be released from the lien of the Deed of Trust and the Regulatory Agreement and will no longer be a part of the Project. Upon recordation of the Parcel Map, the defined term in the Loan Documents “Property” will be modified to mean and refer only to that certain real property in the County of Fresno, State of California, more particularly described as “Parcel A” on the tentative parcel map (“**Tentative Parcel Map**”) attached hereto as Exhibit “B” and incorporated herein by this reference. Upon recordation of the Parcel Map, the Parties will take such further actions and prepare such documents as are necessary to release “Parcel B”, as shown on the attached Tentative Parcel Map, from the lien of the Deed of Trust and the Regulatory Agreement.

2.4 Updates to Loan Agreement.

a. The Loan Agreement is hereby updated by deleting Section 2.5 in its entirety and replacing it with the following:

“Loan Disbursement. The Loan Disbursement shall consist of a single disbursement of Seven Hundred Fifty Thousand Dollars (\$750,000) to be disbursed to Borrower upon closing of a construction loan for the construction of the Project in the approximate amount of \$6,530,000 by Pacific Western Bank or other third party institutional lender (the **“Construction Loan”**). The Successor Agency will disburse the Loan Funds to a title company for disbursement pursuant to the terms hereof.”

b. Section 2.6(e) of the Loan Agreement is hereby updated by deleting the reference therein to the “Bond Financing” and replacing it with the “Construction Loan.” In addition, Section 2.6(e) of the Loan Agreement is hereby updated by adding the following at the end thereof:

“Annual Operating Expenses shall include (i) tax credit adjustment payments payable to the Borrower’s limited partners in accordance with the Borrower’s Partnership Agreement, (i) partnership management fees to the Borrower’s general partner in the amount of \$6,000 per year (adjusted annually by the change to the consumer price index), and (iii) payments made on operating loans made by any partner of the Borrower for the purpose of financing operating expenses of the Development.”

c. Section 2.7(a) of the Loan Agreement is hereby updated by deleting reference to the date of “April 1st” and replacing it with the date of “April 15th.”

d. Sections 3.1 and 3.5 of the Loan Agreement are hereby updated by deleting reference to the date of “November 1, 2011” and replacing it with the date of “February 1, 2014.”

e. Section 7.1(b) of the Loan Agreement is hereby updated by adding the following at the end thereof:

“Alliant Credit Facility, Ltd., a Florida limited partnership, Alliant Credit Facility ALP, LLC, a Florida limited liability company, and their respective successors and assigns shall each be a “Permitted Limited Partner” for purposes of this Agreement.”

f. Section 8.8 of the Loan Agreement is hereby updated by deleting the addresses set forth therein and replacing them with the following:

“Successor Agency: City of Reedley
1733 9th Street
Reedley, California 93654
Attention: City Manager

With a Copy to: LOZANO SMITH
Attn: Scott G. Cross, Esq.
7404 N. Spalding Avenue
Fresno, California 93720

Borrower: 1110 S. I St., L.P.
c/o Corporation for Better Housing
5947 Variel Avenue
Woodland Hills, CA 91367”

g. Section 8.8 of the Loan Agreement is hereby updated by deleting the last sentence of the provision and replacing it with the following:

“Copies of all notices which are sent to the Borrower under the terms of the Loan Documents shall also be sent to the limited partners of Borrower at the following address:

Alliant Asset Management Company, LLC
21600 Oxnard Street, Suite 1200
Woodland Hills, CA 91367
Attn: Brian Goldberg”

f. The Loan Agreement is hereby updated by replacing the Approved Development Budget attached to the Loan Agreement as Exhibit “B” with the updated Approved Development Budget attached hereto.

2.5 Updates to Regulatory Agreement.

a. The Regulatory Agreement is hereby updated by deleting Section 2.1 in its entirety and replacing it with the following:

“Occupancy Requirements.

(a) Extremely Low Income Units. Five (5) of the Units shall be rented and occupied by or, if vacant, available for rental and occupancy by Extremely Low Income Households (30% or area Median Income).

(b) Forty-Five Percent Units. Eight (8) of the Units shall be rented and occupied or, if vacant, available for rental and occupancy by households which qualify to rent at no more than 45% of area Median Income.

(c) Very Low Income Units. Twenty-four (24) of the Units shall be rented and occupied or, if vacant, available for rental and occupancy by Very Low Income Households (50% of area Median Income).

(d) Sixty Percent Units. Two (2) of the Units shall be rented and occupied or, if vacant, available for rental and occupancy by Sixty Percent Households.

(e) Bedroom Size. The Units (excluding the manager's unit) shall be available in the following bedroom sizes:

	<u>1 Bdrm</u>	<u>2 Bdrm</u>	<u>3 Bdrm</u>	<u>Total</u>
Extremely Low (30%) Income Units	1	2	2	5
Forty Five Percent (45%) Income Units	1	4	3	8
Very Low (50%) Income Units	4	12	8	24
Sixty Percent (60%) Income Units	1	1	0	2
TOTAL	7	19	13	39

(f) Family Occupancy as defined by the regulations of the California Tax Credit Allocation.”

b. The Regulatory Agreement is hereby updated by deleting Section 2.2(a) in its entirety and replacing it with the following:

“Extremely Low (30%) Rent. Subject to the provisions of Section 2.3 below, the Rent (including utility allowance) charged to Tenants of the Extremely Low Income Units shall not exceed one-twelfth (1/12th) of thirty percent (30%) of thirty percent (30%) of Median income, adjusted for Assumed Household Size.

c. The Regulatory Agreement is hereby updated by deleting Section 2.2(c) in its entirety and replacing it with the following:

“Forty Five Percent Rent. Subject to the provisions of Section 2.3 below, the Rent (including utility allowance) charged to Tenants of the Very Low Income Units shall not exceed one-twelfth (1/12th) of thirty percent (30%) of forty five percent (45%) of Median income, adjusted for Assumed Household Size.”

d. Section 6.8 of the Regulatory Agreement is hereby updated by deleting the addresses set forth therein and replacing them with the following:

“Successor Agency: City of Reedley
1733 9th Street
Reedley, California 93654
Attention: City Manager

Borrower: 1110 S. I St., L.P.
5947 Variel Avenue
Woodland Hills, CA 91367”

e. Section 6.8 of the Regulatory Agreement is hereby updated by adding the following provision to the end of the section:

“Copies of all notices which are sent to the Borrower under the terms of the Loan Documents shall also be sent to the limited partners of Borrower at the following address:

Alliant Asset Management Company, LLC
21600 Oxnard Street, Suite 1200
Woodland Hills, CA 91367
Attn: Brian Goldberg”

2.6 Updates to Note. The Note is hereby updated by deleting Section 2 in its entirety and replacing it with the following:

“Interest. The outstanding principal balance of this Note shall bear interest at the annual rate of three percent (3%) commencing on Loan Disbursement until paid; provided, however, if a Default occurs, interest on the principal balance shall begin to accrue, as of the date of Default (following expiration of applicable notice and cure periods), and continuing until such time as the Loan funds are repaid in full or the Default is cured, at the default rate of the lesser of ten percent (10%), or the highest rate permitted by law.”

3. Reaffirmation of Loan Documents. Except as otherwise updated herein, all terms and conditions of the Loan Documents are ratified and remain as originally set forth.

4. Multiple Originals; Counterpart. This Agreement may be executed in multiple counterparts, each of which shall have the force and effect of an original.

5. Conflicts. In the event of any inconsistency or conflict between the terms of this Agreement and any of the Loan Documents, the terms of this Agreement shall control.

SIGNATURE PAGE IS THE NEXT PAGE

IN WITNESS WHEREOF, this Agreement has been entered into by the undersigned as of the date first above written.

BORROWER:

1110 S. I ST., L.P.,
a California limited partnership

By: Corporation for Better Housing,
a California nonprofit public benefit corporation
its General Partner

By: _____
Name: Gwendy Silver Egnater
Title: Executive Director

SUCCESSOR AGENCY:

City of Reedley,
a municipal corporation

By: _____
Name: Nicole R. Zieba
Title: City Manager

ACKNOWLEDGMENT

State of California
County of _____ }
}

On _____, before me, _____,
personally appeared _____, who proved to me on the
basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within
instrument and acknowledged to me that he/she/they executed the same in his/her/their
authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or
the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that
the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)

ACKNOWLEDGMENT

State of California)
County of _____)

On _____, before me, _____,
personally appeared _____, who proved to me on the
basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within
instrument and acknowledged to me that he/she/they executed the same in his/her/their
authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or
the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that
the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)

EXHIBIT A

Legal Description of the Property

Outlot "B" of Tract No. 5311, in the City of Reedley, County of Fresno, State of California, according to the map thereof recorded in Volume 72 of Plats, in Pages 86 through 88, Fresno County Records.

APN: 370-020-73

Exhibit C

New Exhibit B to Loan Agreement

EXHIBIT B

Approved Development Budget

Permanent Loan	\$972,519
AHP Loan	\$630,000
Successor Agency (RDA) Loan	\$750,000
HCD Joe Serna	\$1,000,000
Deferred Developer Fee	\$708,806
Equity (Tax Credit Equity)	\$6,324,199

Recording Requested By
And When Recorded Mail To:

Pacific Western Bank
Eastern Region Corporate Lending
275 North Brea Boulevard
Brea, CA 92821

Space Above For Recorder's Use

**LOAN SUBORDINATION AGREEMENT
(Reedley Apartments I - City of Reedley Loan)**

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN THE LIEN OF A DEED OF TRUST ON THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

This Loan Subordination Agreement (this "**Subordination Agreement**") is dated for reference purposes as of December __, 2013 by 1110 S. I ST., L.P., a California limited partnership (the "**Borrower**"), and the City of Reedley, a municipal corporation, as Successor Agency to the Reedley Redevelopment Agency (the "**Junior Lender**"), in favor of PACIFIC WESTERN BANK, a California state-chartered bank (the "**Senior Lender**").

Factual Background

A. Borrower is the fee owner of certain real property and the improvements located thereon (collectively, "**Property**") more particularly described on Exhibit A attached hereto.

B. Pursuant to that certain Construction and Permanent Loan Agreement (the "**Senior Loan Agreement**") dated as of even date herewith, Senior Lender is making a construction to permanent loan to Borrower in the aggregate principal amount of Six Million Five Hundred Thirty Thousand and No/100 Dollars (\$6,530,000.00) the ("**Senior Loan**") to finance a portion of the costs of constructing a multifamily apartment project (the "**Project**") on the Property.

C. The Senior Loan is evidenced by that certain Promissory Note executed by Borrower in favor of Senior Lender in the aggregate principal amount of the Senior Loan ("**Senior Note**"). The obligations of Borrower under the Senior Loan Agreement and Senior Note are secured by, among other things, (i) that certain Construction to Permanent Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (as amended from time to time, the "**Senior Deed of Trust**") dated as of even date with the Senior Loan Agreement, executed by Borrower in favor of Senior Lender, encumbering Borrower's right, title and interest in and to the Property to be recorded in the Official Records of the County of Fresno, State of California ("**Official Records**") substantially concurrently herewith, (ii) that certain Assignment of Leases and Rents (the "Senior Assignment of Leases and Rents"), dated as of even date with

the Senior Loan Agreement, executed by Borrower in favor of Senior Lender to be recorded in the Official Records substantially concurrently herewith, and (iii) that certain Financing Statement Fixture Filing ("Senior Financing Statement") to be recorded in the Official records substantially concurrently herewith.

D. The Senior Loan Agreement, the Senior Note, the Senior Deed of Trust, the Senior Assignment of Leases and Rents, the Senior Financing Statement, and the other Related Documents (as defined in the Senior Loan Agreement) are hereinafter collectively referred to as the "**Senior Loan Documents**".

E. Junior Lender and Borrower are parties to that certain Owner Participation and Loan Agreement (the "**Reedley Agreement**") pursuant to which Junior Lender agreed to make a loan to Borrower in the principal amount of Seven Hundred Fifty Thousand and No/100 Dollars (\$750,000) (the "**Subordinated Loan**"). The Subordinated Loan is evidenced by that certain Promissory Note (the "**Subordinated Note**"), dated as of June 14, 2010, made by Borrower to the order of Junior Lender in the original principal amount of the Subordinated Loan. The Subordinated Note is secured by that certain Deed of Trust with Assignment of Rents and Security Agreement dated June 14, 2010 (the "**Subordinated Deed of Trust**") and recorded June 14, 2010 as Document No. 2010-0089604 in the Official Records and encumbering the Property. The Reedley Agreement, the Subordinated Note, the Subordinated Deed of Trust and all other documents which evidence, guaranty, secure, or otherwise pertain to the Subordinated Loan, are collectively referred to herein as the "**Subordinated Documents**" or "**Subordinated Loan Documents**".

F. It is a condition to Senior Lender's consent to Borrower's execution and delivery of the Subordinated Loan Documents that (i) the Senior Deed of Trust unconditionally be and remain at all times a lien, claim, and charge upon the Property unconditionally prior and superior to the liens, claims, and charges of the Subordinated Deed of Trust, and (ii) the Subordinated Loan and Subordinated Loan Documents shall, at all times and in all respects, be wholly subordinate and inferior in claim and right to the Senior Loan and Senior Loan Documents.

G. It is to the mutual benefit of the parties that Senior Lender consent to the execution and delivery of the Subordinated Deed of Trust and the other Subordinated Loan Documents, and Junior Lender is willing that the Senior Deed of Trust constitute a lien, claim, and charge upon the Property unconditionally prior and superior to the liens, claims, and charges of the Subordinated Deed of Trust, and that the Subordinated Loan and Subordinated Loan Documents shall, at all times and in all respects, be wholly subordinate and inferior in claim and right to the Senior Loan and Senior Loan Documents.

Agreement

1. **Subordination.** The Senior Deed of Trust, and any and all renewals, modifications, supplements, extensions, or advances thereunder or secured thereby (including interest thereon), are unconditionally and will remain at all times, a lien, claim, or charge on the Property prior and superior to the Subordinated Deed of Trust and other Subordinated Documents. The Subordinated Loan and Subordinated Documents shall, at all times and in all respects, be wholly subordinate and inferior in claim and right to the Senior Loan and Senior

Loan Documents, and all claims (including any claims with respect to proceeds from insurance policies or awards paid to Borrower arising from the condemnation of the Property),, rights and remedies therefor are hereby subordinated and made subsequent and inferior to the Senior Loan and Senior Loan Documents and any claims, rights, and remedies arising out of, or in connection therewith.

2. **Acknowledgements and Agreements of Junior Lender.** Junior Lender declares, acknowledges, and agrees that:

2.1 Senior Lender would not consent to the execution and delivery of the Subordinated Loan Documents without this Subordination Agreement;

2.2 Junior Lender consents to all provisions of the Senior Deed of Trust and the Senior Loan Documents;

2.3 In making disbursements, Senior Lender is under no obligation or duty to, nor has Senior Lender represented that it will, see to the application of the Senior Loan proceeds; and

2.4 Junior Lender intentionally and unconditionally waives, relinquishes, subjects, and subordinates the liens, claims, and charges of the Subordinated Documents, and all of the Junior Debt (as defined below), in favor of the Senior Debt (as defined below), the Senior Loan Documents and the lien, claim, and charge upon the Property of the Senior Deed of Trust, and understands that in reliance upon, and in consideration of, this waiver, relinquishment, subjection, and subordination, specific loans and advances are being and will be made and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into, that would not be made or entered into but for Senior Lender's reliance upon this waiver, relinquishment, subjection, and subordination.

3. **Priority of Payment.** Junior Lender irrevocably consents and directs that the Senior Loan and any and all present and future indebtedness, liabilities, and obligations secured by the Senior Loan Documents (the "**Senior Debt**") shall be paid in full prior to Borrower making any payment with respect to the Subordinated Loan and any and all of the present and future indebtedness, liabilities, and obligations secured by the Subordinated Loan Documents (the "**Junior Debt**"). Junior Lender will and Senior Lender is authorized to, in the name of Junior Lender from time to time, to execute and file such financing statements and other documents as Senior Lender may require in order to give notice to other persons and entities of the terms and provisions of this Subordination Agreement. Notwithstanding any of the foregoing to the contrary, so long as no default shall exist under the Senior Loan Documents, Junior Lender shall be entitled to receive payment of principal, interest and other amounts, if any, due to Junior Lender pursuant to the Subordinate Loan Documents, but Junior Lender shall not be entitled to receive from Borrower or retain any sums required to be applied to other uses under the terms of the Senior Loan Documents or paid to Senior Lender under the terms of the Senior Loan Documents. Junior Lender agrees that any payments or proceeds received by Junior Lender in contravention of the terms and provisions of this Subordination Agreement will be deemed to be held in trust for Senior Lender and promptly delivered to Senior Lender.

4. Limitation on Exercise of Remedies by Junior Lender.

4.1 Junior Lender hereby agrees that it shall not (i) demand, sue for or commence any legal proceeding to collect any of the Junior Debt, accelerate the payment of the Junior Debt or commence, vote or take any action in respect of any Bankruptcy Action (as defined below) or exercise any of its rights under the Subordinate Loan Documents without Senior Lender's prior written consent unless and until the Senior Debt shall have been paid in full, (ii) receive or be entitled to receive any portion of the Junior Debt at any time during which a default shall exist with respect to the Senior Debt or Junior Lender shall be in breach of its obligations hereunder, or (iii) accept or obtain any lien, pledge or security interest as security for the Junior Debt.

4.2 Junior Lender hereby waives any right it may have to require that the Senior Lender marshal any assets of Borrower in favor of the Junior Lender (including, without limitation, any such right afforded under California Civil Code Sections 2899 and 3433) and the Junior Lender agrees that it shall not acquire, by subrogation or otherwise, any lien, estate, right or other interest in any of the Property or the proceeds therefrom that is or may be prior to any of the Senior Loan Documents.

4.3 Until the earlier of (i) ninety-one (91) days following the satisfaction in full of the Senior Debt or (ii) ninety-one (91) days following the acquisition of the Property by Senior Lender by foreclosure, deed-in-lieu of foreclosure or otherwise, Junior Lender shall not acquiesce in, petition or otherwise invoke or cause any other person to invoke the process of the United States of America, any state or other political subdivision thereof or any other jurisdiction, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government for the purpose of commencing or sustaining a case against Borrower, under a Federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of Borrower or all or any part of its property or assets or ordering the winding-up or liquidation of the affairs of Borrower.

4.4 Junior Lender shall not institute any judicial or administrative proceeding against Borrower or Senior Lender which directly or indirectly would interfere with or delay the exercise by the Senior Lender of its rights and remedies in respect of the Property or any part thereof or under the Senior Loan Documents or this Subordination Agreement. Without limiting the generality of the foregoing, in the event of a bankruptcy or insolvency of Borrower, the Junior Lender shall not object to or oppose any efforts by the Senior Lender to obtain relief from the automatic stay under Section 362 of the United States Bankruptcy Code or to seek to cause such entity's bankruptcy estate to abandon the Property or any portion thereof that is subject to the Senior Deed of Trust.

5. Bankruptcy.

5.1 In the event of any liquidation or dissolution of Borrower, or any receivership, insolvency, bankruptcy, liquidation, readjustment, reorganization, or similar proceeding relating to Borrower or any portion of its property (collectively, a "Bankruptcy Action"), all of the Senior Debt (including without limitation, post-petition interest accrued

under the Senior Loan after Borrower's bankruptcy filing) shall first be paid in full before any payment is made upon or in respect of the Junior Debt (including without limitation, post-petition interest accrued under the Subordinate Loan after Borrower's bankruptcy filing). To enable Senior Lender to enforce Senior Lender's rights hereunder with respect to any such Bankruptcy Action, Senior Lender is hereby irrevocably authorized and empowered in its discretion (in Senior Lender's name or in the name of Junior Lender) to make and to present for and on behalf of Junior Lender such proofs of claim against Borrower on account of the Junior Debt as Senior Lender may deem expedient or proper and to receive and collect any and all dividends, distributions or other payments or disbursements made thereon in whatever form as the same may be paid or issued and to apply the same to the Senior Debt or to the Junior Debt). Junior Lender further agrees to execute and deliver to Senior Lender such assignments or other instruments as may be required by Senior Lender in order to enable Senior Lender to enforce any and all claims, and to collect any and all payments or disbursements which may be made, on account of all or any of the Junior Debt.

5.2 Without limiting the rights provided to Senior Lender in the preceding paragraph, Junior Lender hereby irrevocably (i) grants Senior Lender the right (in Senior Lender's name or in the name of Junior Lender) to exercise any and all rights of Junior Lender in any Bankruptcy Action to make elections with respect to the Junior Debt including, without limitation, elections with respect to any proposed plan of reorganization, (ii) agrees to consent to any motion made by or on behalf of Senior Lender in any Bankruptcy Action for relief against any stay or injunction therein against collection of the Senior Debt, including, but not limited to, any motion made by or on behalf of Senior Lender therein to lift such stay or injunction for the purposes of any foreclosure proceeding, and (iii) makes, constitutes and appoints Senior Lender its attorney-in-fact with full power to appoint substitutes or a trustee to accomplish the purposes of this Section 5 (which power of attorney shall be deemed to be coupled with an interest, shall survive the voluntary or involuntary dissolution of Junior Lender, and shall not be affected by any disabilities or incapacity suffered by Borrower subsequent to the date hereof).

6. **No Assignment, Modification or Participation.** So long as any of the Senior Debt remains outstanding, Junior Lender hereby agrees not to assign, transfer, pledge or grant participations in any rights, claims or interests of any kind in or to the Junior Debt without first obtaining Senior Lender's prior written consent. Junior Lender shall not modify the Subordinate Loan Documents without Senior Lender's prior written consent, which consent shall not be unreasonably withheld provided that such modification shall not enlarge the obligations of Borrower with respect to the Junior Debt. Any such transfer, assignment or pledge, or modification without Senior Lender's consent shall be void.

7. **Subordination Continuing.** This Subordination Agreement is a continuing agreement of subordination, and Senior Lender may continue, without notice to holders of the Junior Debt, to extend credit or other accommodations or benefits and loan money to or for the account of Borrower in reliance hereon until the Senior Debt has been paid in full. It is further understood and agreed that Senior Lender may, at any time in Senior Lender's discretion, modify any of the terms or provisions of the Senior Loan Documents and any other documents evidencing, securing and/or guarantying the Senior Loan, renew or extend the time of payment of all or any portion of the Senior Debt, waive or release any collateral which may be held therefor or release any party directly or indirectly liable for payment of any portion of the Senior

Debt at any time, and in furtherance thereof make and enter into any agreements Senior Lender deems proper or desirable, without notice to or further assent from the Junior Lender, without in any manner impairing or affecting this Subordination Agreement or Senior Lender's rights hereunder.

8. **Notices.**

8.1 Junior Lender agrees to give Senior Lender copies of all notices of default under the Subordinated Documents.

8.2 All notices given under this Subordination Agreement must be in writing and will be served effectively upon delivery, or if mailed, upon the first to occur of receipt or the expiration of forty-eight (48) hours after deposit in certified United States mail, postage prepaid, sent to the party at its address appearing below. Any party may change those addresses by notice to all other parties.

9. **Integration; No Waiver.** This Subordination Agreement is the whole and only agreement with regard to the subordination of the liens, claims, and charges of the Subordinated Documents to the Senior Loan Documents. This Subordination Agreement may not be modified or amended except by a written agreement signed by the parties. No waiver shall be deemed to be made by Senior Lender of any of its rights hereunder unless the same shall be in writing signed on behalf of Senior Lender, and each such waiver, if any, shall be a waiver only with respect to the specific matter or matters to which the waiver relates and shall in no way impair the rights of Senior Lender or the obligations of Borrower to Senior Lender in any other respect at any other time.

10. **Successors and Assigns.** This Subordination Agreement is binding on and inures to the benefit of the legal representatives, successors and assigns of the parties. Senior Lender's successors and assigns include any financial institution which may now, or hereafter, purchase, or participate in, the Senior Loan or any part of the Senior Loan. Notice of acceptance of this Subordination Agreement is hereby waived and this Subordination Agreement shall be binding upon the Junior Lender, its legal representatives, successors, and assigns, as the case may be, it being understood and agreed, however, that, unless otherwise agreed in writing by Senior Lender, no assignment of the Subordinated Documents, or any part thereof, shall be made without the prior written consent of the Senior Lender.

11. **Attorneys' Fees and Costs.** If any party to this Subordination Agreement brings an action to interpret or enforce its rights under this Subordination Agreement, the prevailing party will be entitled to recover its costs and reasonable attorneys' fees as awarded in the action.

12. **Governing Law.** This Subordination Agreement is governed by the laws of the State of California, without regard to the choice of law rules of that state.

13. **Counterparts.** This Subordination Agreement may be executed in counterparts, and all counterparts constitute but one and the same document.

[Signature pages follow]

NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN, A PORTION OF WHICH MAY BE EXPENDED FOR PURPOSES OTHER THAN IMPROVEMENT OF THE PROPERTY.

JUNIOR LENDER

CITY OF REEDLEY, a municipal corporation, as
Successor Agency to the Reedley Redevelopment
Agency

By: _____
Name: _____
Title: _____

Address for Notices:

City of Reedley
1733 9th Street
Reedley, California 93654
Attention: City Manager

BORROWER

1110 S. I ST., L.P.,
a California limited partnership

By: CORPORATION FOR BETTER
HOUSING,
a California non-profit public benefit
corporation,
General Partner

By: _____
Gwendy Silver Egnater,
Executive Director

Address for Notices to Borrower:
1110 S. I St., L.P.
5947 Variel Ave.
Woodland Hills, CA 91367
Attn: Ms. Gwendy Silver Egnater

SENIOR LENDER

PACIFIC WESTERN BANK,
a California state-chartered bank

By: _____
Name: _____
Title: _____

Address for Notices to Senior Lender:

Pacific Western Bank
Eastern Region Corporate Lending
275 North Brea Boulevard
Brea, CA 92821

EXHIBIT A

Legal Description

THE LAND DESCRIBED HEREIN IS SITUATED IN THE STATE OF CALIFORNIA,
COUNTY OF FRESNO, CITY OF REEDLEY, AND IS DESCRIBED AS FOLLOWS:

OUTLOT "B" OF TRACT NO. 5311, IN THE CITY OF REEDLEY, COUNTY OF FRESNO,
STATE OF CALIFORNIA, ACCORDING TO THE MAP THEREOF RECORDED IN
VOLUME 72 OF PLATS, IN PAGES 86 THROUGH 88, FRESNO COUNTY RECORDS.

APN: 370-020-73

ACKNOWLEDGMENT

State of California)
County of Los Angeles)

On _____, before me, _____, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)

ACKNOWLEDGMENT

State of California)
County of _____)

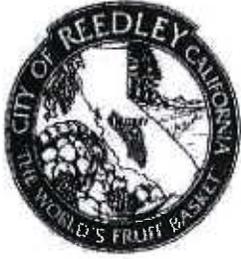
On _____, before me, _____, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)



REPORT TO RRDA BOARD

MEMORANDUM

AGENDA ITEM NO.: 3

BOARD MEETING DATE: May 25, 2010

SUBJECT: *Reedley Family Apartments Owner Participation and Loan Agreement*

RECOMMENDATION:

Staff's recommendation is that the Reedley Redevelopment Agency Board gives authorization for the Executive Director to enter into an Owner Participation and Loan Agreement for the amount of \$750,000 with Corporation for Better Housing.

BACKGROUND:

The Reedley Family Apartments project included a request by the applicant for financial assistance from the Redevelopment Agency. The loan request is for the amount of \$750,000. Any loan from the Redevelopment Agency will require review and approval by the Reedley Redevelopment Agency Board. It should be noted that numerous agencies throughout the state utilize their low and moderate income for projects like this. This type of loan constitutes a legal use of these funds. The disbursement of the loan would not take place until a certificate of completion has been provided and issued on the project which, if approved, would take place in late 2011 or early 2012.

The redevelopment law requires that whenever money from the Low and Moderate Housing Fund (LMI fund) is used to support the development of low and moderate income rental housing, the property owner must agree to limit the occupancy of the units to income-qualified persons for 55 years. The owners of the Reedley Family Apartments have agreed to this restriction and an enforceable covenant will be recorded as a part of the funding.

The loan which the Agency will make will be repaid by the project owners on a "residual receipts" basis. This is also typical for these types of projects where "tax credit funding" is used. This means that loan payments will be due in every year in which the income generated from operating the project exceeds the expenses for the project; and, in those years in which there is no such "residual receipts", no payment is due. There is a balloon payment due at the end of the 55 years for the remaining balance of the loan. Interest accrues at 3%.

To recap the March 9, 2010 agenda, the Corporation for Better Housing (CBH) submitted entitlement applications for an 80 unit affordable housing project. The entitlement applications include a General Plan Amendment, Change of Zone, and Conditional Use Permit. Following a series of Planning Commission hearings, the Planning Commission forwarded the project to the City Council for review. The City Council determined that further analysis on the potential environmental effects of the proposed project was necessary and directed that an Environmental Impact Report (EIR) be prepared. At the March 9th City Council meeting, Council approved the entitlements and certified the EIR.

This project, as the Board knows, will provide housing credits toward the City's affordable housing allocations. The redevelopment dollars to units approved amounts to \$9,375 per unit which is good financial use of redevelopment dollars toward affordable units.

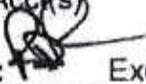
Council, acting in the capacity of the Board, had expressed concerns over the owner providing assurances that the apartments would be maintained and managed to a level that would mitigate concerns by the citizens in the adjacent subdivision. Staff set up a conference call on March 17th with Mr. Lingo to discuss those concerns and to begin drafting the necessary documents to proceed with the loan should the Board approve. Some of the concerns expressed were as follows and have been incorporated into the regulatory agreement as well as the OPA (owner participation agreement):

1. Provide reputable management of the site and apartments.
2. Post current contact information on the exterior of the entrances. An actual person should be available at all times to receive complaints. Contact information to be provided to the Police Department.
3. Host open tenant/neighborhood meetings quarterly to address issues.
4. Reported problems to be addressed within 48 hours or identify course of action to the Executive Director of the Reedley Redevelopment Agency if they cannot be completed within the timeframe.
5. Require that all vehicles on site have valid registration and are operable at all times.

Along with the above list of concerns, City staff, per the agreements that the owners will sign, will be able to audit books and inspect the property at regular intervals during the life of the agreements. This can and should be a joint effort with Community Development and Finance Department personnel. The Board's Attorney, Dale Bacigalupi, has prepared documents as attached, for the execution and distribution of the loan. Staff recommends authorization to proceed with the agreements attached.

FISCAL IMPACT:

Budgeted item:	yes
Expenditure:	\$750,000
Fund Acct(s):	096 Low Mod fund

Prepared by:  Executive Director

Power Point Presentation:

Attachments:

1. Owner Participation and Loan Agreement
2. Regulatory Agreement
3. Promissory Note
4. Performance Guaranty
5. Deed of Trust
6. Notice of Affordability

Motion: _____
Second: _____