



December 12, 2022

TO: CADA Board of Directors  
Capitol Area Community Development Corporation (CACDC) Board of Directors

**SUBJECT: December 16, 2022 Board Meeting  
AGENDA ITEM 9  
SONRISA AFFORDABLE HOUSING PROJECT AT 1322 O STREET -  
VARIOUS LOANS, BUDGET AMENDMENT, AND PROJECT STATUS UPDATE**

**CONTACT:** Renée Funston, Development Manager (CADA), Staff (CACDC)  
Tom Kigar, Special Projects Director (CADA), Staff (CACDC)  
Wendy S. Saunders, Executive Director (CADA), President (CACDC)

### **RECOMMENDED ACTION**

Staff recommends the CADA Board of Directors and the CACDC Board of Directors approve various agreements and authorize any and all actions necessary to close on a CADA loan for a supplemental bond allocation made to 1322 O St Investors LP ("the LP") for construction of the Sonrisa project at 1322 O Street, and a loan from CADA to the CACDC to provide additional gap financing to the project.

### **[CADA]**

1. Provide a gap financing unsecured loan to the CACDC for the CACDC's use as an advance to the LP for additional construction costs in an amount not to exceed \$1.4 million.
2. Approve a mid-year budget amendment for up to \$1.4 million to fund CADA Loan to the CACDC.
3. Take any and all actions on behalf of CADA to close on the gap loan to the CACDC, including execution of all necessary documents, including a Promissory Note and Loan Agreement.

### **[CACDC]**

Adopt a corporate resolution authorizing the President to:

1. Execute a Promissory Note in favor of CADA for a non-secured loan ("CADA Loan") of up to \$1.4 million to cover additional construction costs to the LP.
2. Provide up to \$1.4M to the LP as an advance under the terms of the Amended and Restated Partnership Agreement to provide additional construction funds.
3. Execute loan documents as the managing general partner of the LP for an additional tax-exempt construction loan of \$1,035,237 to the LP to cover additional construction costs.
4. Take any and all actions on behalf of the Partnership to close on the additional financing for the project, including execution of all necessary documents for the additional project loans and advances.

### **BACKGROUND**

Project development costs have increased by an estimated \$1,358,426. The equity pay-in of \$3,650,434 from the Tax Credit Investor to cover this increase will not occur until sometime between April and June 2023. This anticipated shortfall of \$1,358,426 will be met with the requested CADA

Loan to the CACDC of up to \$1,400,000 (depending upon the final amount of development costs), and the CACDC's advance of those funds to the LP. The loan will be paid off by June 30, 2023 with a portion of the Tax Credit Investor's equity pay-in.

## **ANALYSIS**

### **1. Additional Bond Funds**

Development costs increased by an estimated \$1,358,426 from \$21,356,056 to \$22,714,482 as shown in **TABLE 1, Development Uses** below. The cost increases were due to supply chain issues, a short supply of labor, delays involved in design and approval of Cross Laminated Timber (CLT) as a result of it being new a concept, pushing the design team to meet aggressive funding deadlines and the result of limited time to fully coordinate among the contractor and the design team. Because other affordable housing developers were also experiencing increases in costs, the California Debt Limit Allocation Committee ("CDLAC") made available supplemental bond funding for affordable housing projects. On July 20, 2022, CDLAC awarded \$1,035,237 in supplemental tax-exempt bonds to the LP which are included in the Tax Exempt Bond Amount of \$11,335,237 shown below in **TABLE 2, Financing Sources**. The additional bond funds of \$1,035,237 have been added to the Tax Exempt Bond Funds initially awarded to the project and the Taxable Bond Funds initially awarded have been decreased by \$1,035,237. Hence, the additional bond funds do not represent additional funding for the project. The close of escrow on the supplemental bond funds must occur before 12/30/22.

### **2. CADA LOAN**

The project's current available construction financing of \$21,356,056 shown below in **TABLE 2**, is not enough to cover the above increase of \$1,358,426. While the lender and Tax Credit Investor have conceptually approved the proposed transaction, they along with CADA staff are still negotiating some of the final details, including staff's request for written confirmation from the Tax Credit Investor that the equity funds may be used to repay the CACDC advance. CACDC is the general partner of the LP. As a part of the recommended action, CADA and the CACDC are requesting approval of final loan documents from CADA to the CACDC substantially as to the form of the previous loan documents for loans made from CADA to the CACDC.

Included in the recommended action is a mid-year budget amendment to allocate \$1.4 million from 2020 Bond funds to fund the CADA Loan to the CACDC.

<b>Table 1 – Development Uses</b>			
	5/21/21	12/2/22	Increased Uses
Construction Hard Costs	\$ 14,483,155	\$ 15,583,155	\$ 1,100,000
Architectural and Engineering	\$ 691,093	\$ 872,979	\$ 181,886
Construction Interest and Fees	\$ 1,092,285	\$ 1,106,370	\$ 14,085
Financing Fees	\$ 81,718	\$ 154,628	\$ 72,910
Legal Fees	\$ 292,912	\$ 298,093	\$ 5,181
Reserves	\$ 429,995	\$ 429,995	\$ 0
Permits, Studies, Misc. Fees	\$ 1,051,297	\$ 900,571	\$ (150,726)
Furnishings	\$ 460,000	\$ 500,000	\$ 40,000
Developer Fee	\$ 2,773,601	\$ 2,868,690	\$ 95,089
<b>Total</b>	<b>\$ 21,356,056</b>	<b>\$ 22,714,482</b>	<b>\$ 1,358,426</b>

<b>Table 2 – Financing Sources</b>	<b>Construction Financing</b>
	12/31/22
Tax Exempt Bond Amount	\$ 11,335,237
Taxable Bond Amount	\$ 4,119,493
Deferred Developer Fee	\$ 2,868,690
Tax Credit Investors Equity	\$ 1,102,673
Deferred Reserves	\$ 429,995
CADA Soft GAP Loan Residual	\$ 1,500,000
<b>Total Current Financing Available</b>	<b>\$ 21,356,056</b>
<b>Shortfall in Available Funds</b>	<b>\$ 1,358,426</b>
<b>Funds to Cover Close of Development Costs</b>	<b>\$ 22,714,482</b>

Closing on the additional bond funds, the CADA loan to the CACDC, and the CACDC advance to the LP, will occur by December 31, 2022.

### 3. Project Status

#### A. Status of Leasing Efforts

As of December 9, 2022, CADA's Leasing Department has received 152 applications for the 57 affordable units at Sonrisa of which 23 have been accepted and 26 are pending acceptance once CADA receives third-party verifications of applicants' employment and student status.

<b>CURRENT TOTALS BY INCOME LIMIT</b>	<b>40%</b>	<b>50%</b>	<b>60%</b>	<b>Totals</b>
Approved and Ready for Lease Signing	20	2	1	23
Pending 3rd Party Verifications	9	13	4	26
Anticipated Total when 3 <sup>rd</sup> Party verifications are completed	29	15	5	<b>49</b>
<b>GOAL</b>	22	28	7	57
<b>Shortfall (-) and Excess (+)</b>	+7	-13	-2	-8

CADA staff are very pleased with progress to date in achieving full lease-up (leases signed for all 57 units) by March 31, 2023, the date required by the tax credit investor.

#### B. Proposed Education and Workforce Development Services

The Highlands Community Charter School (Highlands) and the Sacramento Employment and Training Agency (SETA) will be partnering with the project to provide education and workforce development services at Sonrisa. Services will include assessment of skills and work preferences, job readiness and occupational skills training scholarships, resume preparation, interviewing tips, tips on keeping a job, mentoring, guidance and counseling, support services, and much more. For more details, please see **ATTACHMENT 1, Proposed Education and Workforce Development Services**.

CADA property management staff believe there will be a high demand for these services by low-income residents of CADA managed apartments and others in the neighborhood. Staff expects these services will greatly benefit residents of Sonrisa, CADA residents, and others in the neighborhood. CADA Staff have long wanted such services to be available to CADA residents and the proposed partnerships with Highlands and SETA will finally meet this need.

## **FINANCIAL IMPACT**

WNC, the project's tax credit investor, is scheduled to pay in its \$3,650,434 equity investment sometime between April to June 2023 upon CADA's receipt of a certificate of occupancy for the project. A portion of these funds is anticipated to be used by the Partnership to pay off the requested Loan from CADA to the CACDC and the requested advance from the CACDC to the LP.

## **ENVIRONMENTAL CONSIDERATIONS**

At the November 13, 2019 Board meeting, the Board found the project to be exempt from CEQA based upon its consistency with the Central City Specific Plan and EIR and staff filed a Notice of Exemption.

## **POLICY**

Developing 1322 O Street as a "micro-unit" affordable housing project; making use of a novel building method that has a lower carbon footprint; and building the project in collaboration with the State of California under Governor Newsom's Executive Order regarding the California housing crisis is consistent with CADA's 2016-2021 Strategic Plan that calls for urban development leadership, development of complex infill projects and collaboration with CADA's State and City partners.

## **ATTACHMENTS:**

- 1. Proposed Education and Workforce Development Services at Sonrisa**

## **ATTACHMENT 1**

### **PROPOSED EDUCATION AND WORKFORCE DEVELOPMENT SERVICES AT SONRISA**

#### **Overview**

The Highlands Community Charter School (Highlands) and the Sacramento Employment and Training Agency (SETA) will be partnering to provide education and workforce development services at the Sonrisa apartment complex located at 1322 O Street. The location will function as a satellite center with staff and services dispatched from Highlands and SETA. Planned hours of operation are Monday-Friday, 9-5, with some additional evening and weekend hours.

#### **Services**

Services will include assessment of skills and work preferences, job readiness and occupational skills training scholarships, resume preparation, interviewing tips, tips on keeping a job, mentoring, guidance and counseling, support services, and much more. Some services such as occupational skills training would take place at locations other than Sonrisa based on availability and referrals from the coach.

Note: Basic services are offered to all persons regardless of income when they walk in the door, including access to the computers with internet and tips for resume enhancement or best websites to search for jobs. There is an array of more personal, specialized services for specific subcategories of customers, depending on eligibility criteria such as low-income status. The needs of customers are assessed as they interact with staff and additional services will be provided as resources are available.

#### **Customers**

Customers include, out-of-school youth, low-income and dislocated workers. Many customers have barriers to employment, such as a disability, English language learner, low level of literacy, unhoused, or ex-offender. Priority of service will be given to Sonrisa residents.

#### **Funding Sources**

The proposed program will be supported by State Department of Education, Workforce Innovation and Opportunity Act, Community Services Block Grant, and various other education and workforce development funds. SETA has access to over 2 dozen additional funding sources that may supplement services depending on the needs of customers.

## **Proposed Lease**

The parties anticipate an initial 5-year lease term with option for 2 additional 5 year terms at zero rent and a nominal management fee to CADA for administrative and related costs. Highlands will be the lessee and cover the cost of the Tenant Improvements including plan preparation, City fees for permits, TI construction costs, and furnishings. The space will be setup in a way that allows it to be reconfigured for use for CADA special events approximately six times a year, such as the Holiday Party and bingo nights.

## **RESOLUTION NO. 22 - 41**

December 16, 2022

Adopted by the Capitol Area Development Authority

### **RESOLUTION APPROVING EXECUTION OF A CADA LOAN, APPROVAL OF A MID-YEAR BUDGET AMENDMENT, AND AUTHORIZATION TO TAKE ANY AND ALL ACTIONS TO EXECUTE DOCUMENTS TO CLOSE FINANCING ON THE CADA LOAN FOR THE SONRISA 1322 O STREET AFFORDABLE HOUSING PROJECT**

**WHEREAS**, Development costs increased by an estimated \$1,358,426 from \$21,356,056 to \$22,714,482; and

**WHEREAS**, on July 20, 2022, the California Debt Limit Allocation Committee (CDLAC) awarded \$1,035,237 in supplemental tax-exempt bonds; and

**WHEREAS**, the equity pay-in of \$3,650,434 from the Tax Credit Investor to cover the increase costs will not occur until sometime between April and June 2023 and CADA is being requested to loan up to \$1.4 million ("CADA Loan") to the CACDC to cover this shortfall.

**WHEREAS**, the making of a CADA loan may require modifications to the terms of the CADA Loan agreement.

**NOW, THEREFORE, BE IT RESOLVED**, by the Board of Directors of the Capitol Area Development Authority that

1. The FY 22-23 CADA budget is amended to include up to \$1.4 million in funds to provide a loan to the 1322 O Street Investors LP limited partnership; and
2. The Executive Director of CADA is authorized to take any and all actions on behalf of CADA to close on financing for the project, including execution of all necessary documents and project loans.

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Ann Bailey, Chair

ATTEST:

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Tara Gandara  
Secretary to the Board of Directors



## RESOLUTION NO. 22 – 04

### Corporate Resolution of Capitol Area Community Development Corporation

The undersigned being the Secretary of Capitol Area Community Development Corporation, a California non-profit public benefit corporation (the “**Corporation**” or “**CACDC**”) does hereby certify that by unanimous consent of the board of directors of the Corporation the following resolutions were adopted:

WHEREAS, the Corporation currently acts as the managing general partner (the “**Managing General Partner**”) of 1322 O St Investors LP, a California limited partnership (the “**Partnership**”), pursuant to that certain Amended and Restated Agreement of Limited Partnership of the Partnership dated as of June 1, 2021 (the “**Partnership Agreement**”);

WHEREAS, the Partnership is the owner of an affordable housing development to be constructed in Sacramento, California to be known as 1322 O Street Apartments (the “**Project**”);

WHEREAS, the Partnership obtained construction financing for the Project consisting of a loan from JPMorgan Chase Bank, N.A., a national banking association (“**Chase**” in an aggregate amount not to exceed \$15,455,254.00 (the “**Construction Loan**”), which loan consists of a tax exempt loan of up to \$10,305,237.00 (the “**Funding Loan**”) from Chase to California Housing Finance Agency (in its capacity as governmental lender, “**Issuer**” or the “**Governmental Lender**”), the proceeds of which were used to fund a loan from Issuer to the Partnership for Project financing in the amount of the Funding Loan (the “**Tax-Exempt Construction Loan**”), and (ii) a taxable loan of up to \$5,150,017.00 (the “**Taxable Construction Loan**”) from Chase to the Partnership;

WHEREAS, additional construction financing is now needed for the Project and the Corporation has determined it is in the best interest of the Partnership and the Project for the Partnership to obtained a supplemental tax-exempt construction loan from Chase in an aggregate amount not to exceed \$1,030,524.00 from the proceeds of a supplemental tax exempt loan of up to \$1,030,524.00 (the “**Supplemental Funding Loan**”) from Chase to Issuer, the proceeds of which are to be used to fund a loan from Issuer to the Partnership for Project financing in the amount of the Supplemental Funding Loan (the “**Supplemental Tax-Exempt Construction Loan**”);

WHEREAS, the making of the Supplemental Funding Loan and Supplemental Tax-Exempt Construction Loan may require modifications to the terms of the Tax-Exempt Construction Loan and Taxable Construction Loan;

WHEREAS, the Corporation desires to advance up to \$1,400,000 to the Partnership to pay for additional costs of construction of the Project (the “**Corporation Advance**”);

WHEREAS, in connection with the making of the Supplemental Funding Loan, the Supplemental Tax-Exempt Construction Loan and the Corporation Advance and the modification



of the Tax-Exempt Construction Loan and the Taxable Construction Loan the Partnership and the Corporation shall enter into certain agreements with Governmental Lender and Chase among others (the "**Supplemental Financing Documents**");

WHEREAS, the Corporation wishes to take such actions under the Supplemental Financing Documents as are necessary to cause the Partnership to develop, construct, and operate the Project;

WHEREAS, the Board of Directors of the Corporation, on the Corporation's own behalf and as a general partner of the Partnership, deems it to be in the best interests of the Corporation to take all actions to facilitate (i) the making of the Supplemental Funding Loan and the Supplemental Tax-Exempt Construction Loan, (ii) the making of the Corporation Advance, and (iii) the modification of the Tax-Exempt Construction Loan and the Taxable Construction Loan, including, without limitation, entering into the Supplemental Financing Documents and any and all other agreements with the Chase, Governmental Lender and/or any other person or entity in each case as may be necessary or convenient to cause (i) the making of the Supplemental Funding Loan and the Supplemental Tax-Exempt Construction Loan, (ii) the making of the Corporation Advance, and (iii) the modification of the Tax-Exempt Construction Loan and the Taxable Construction Loan; and

WHEREAS, the Corporation, in its own capacity or as a general partner of the Partnership, wishes to enter into any and all documents, including, without limitation, the Supplemental Financing Documents as may be necessary or convenient to facilitate (i) the making of the Supplemental Funding Loan and the Supplemental Tax-Exempt Construction Loan, (ii) the making of the Corporation Advance, and (iii) the modification of the Tax-Exempt Construction Loan and the Taxable Construction Loan.

NOW, THEREFORE, BE IT RESOLVED that the Corporation is hereby authorized, empowered and directed, for its own account and/or in its capacity as a general partner of the Partnership, to take such actions set forth above, including, but not limited to, execution of the Supplemental Financing Documents to which it and/or the Partnership is a party and take such further actions, and to execute such additional documents and instruments, as the Corporation may deem necessary or appropriate in connection with the matters authorized in the foregoing resolutions, and the signature of any officers of the Corporation (including, but not limited to, Wendy S. Saunders) on any document or instrument, including but not limited to, the Supplemental Financing Documents to which the Corporation and/or the Partnership is a party, or the performance of any such actions, shall be conclusive evidence of the Corporation's authority to take such actions or execute such document or instrument on behalf of the Corporation, for its own account and/or as a general partner of the Partnership;

RESOLVED FURTHER, that Wendy S. Saunders, as President of the Corporation, [and any other officer of the Corporation] each in his/her own name and in the name of and on behalf of the Corporation, for its own account and/or as a general partner of the Partnership, is hereby authorized, empowered and directed, acting alone and without any further approval, to enter into any and all documents, including, without limitation, the Supplemental Financing Documents to which the Corporation or the Partnership is a party, as may be required or requested by the Chase, the Governmental Lender and/or any other person or entity to cause or facilitate (i) the making of

the Supplemental Funding Loan and the Supplemental Tax-Exempt Construction Loan, (ii) the making of the Corporation Advance, and (iii) the modification of the Tax-Exempt Construction Loan and the Taxable Construction Loan;

RESOLVED FURTHER, that any and all resolutions previously adopted by the Corporation regarding the subject matter herein are superseded by the resolutions herein and any and all acts heretofore taken by the Corporation in connection with the matters authorized by the foregoing resolutions or in connection with the transaction described herein are hereby ratified, confirmed, adopted and approved by the board of directors of the Corporation;

RESOLVED FURTHER, that the execution of any and all documents and instruments related to the purposes and intent of the foregoing resolutions by the Corporation shall be conclusive evidence of the approval thereof by the Corporation; and

RESOLVED FURTHER, that any third party receiving a duly executed copy or a facsimile of these resolutions may rely on the foregoing resolutions, unless and until revoked by the board of directors of the Corporation, and that the revocation of the foregoing resolutions shall be ineffective as to such third party unless and until actual notice or knowledge of such revocation shall have been received by such third party.

[Signatures on Following Page]

Ayes: 0

Noes: 0

Abstain: 0

### SECRETARY'S CERTIFICATION

I, Jill Azevedo, the appointed/elected Secretary of the Corporation, hereby certify that the foregoing is a true copy of the resolutions adopted by the unanimous consent of the Board of Directors of the Corporation without a formal meeting, and that said resolutions are in full force and effect; and the Board has, and at the time of the adoption of the resolutions had, full power and authority to adopt said resolutions.

\_\_\_\_\_  
Name: Jill Azevedo  
Title: Secretary

\_\_\_\_\_  
Date