

February 15, 2024



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

**SUBJECT:** **February 23, 2024 Board Meeting**  
**AGENDA ITEM 7**  
**2000 16<sup>TH</sup> STREET (16<sup>TH</sup> AND T)– PARTNERSHIP, AGREEMENTS AND FINANCING**

**CONTACTS:** Todd Leon, Development Director (CADA), Staff (CACDC)  
Danielle Foster, Executive Director (CADA), President (CACDC)

### **RECOMMENDED ACTIONS:**

Staff recommends the CADA Board of Directors and the CACDC Board of Directors adopt the attachment resolutions (Attachment 1 and 2) to approve various agreements and allocate funds as necessary to enable, undertake and pay for various predevelopment tasks for an affordable housing project at 2000 16<sup>th</sup> Street.

#### CADA

1. Approve a 2<sup>nd</sup> Amendment to the previously approved Memorandum of Understanding (MOU) between CADA, CACDC and Mutual Housing to provide Mutual Housing land purchase rights should CADA and/or CACDC decide to leave the project and decide to sell the property, project costs reimbursement should Mutual decide to leave the project, and first right of refusal by Mutual to purchase the site should CADA/CACDC decide to leave the project. (Attachment 3)
2. Approve a Land Option Agreement with the CACDC and Mutual Housing for their eventual purchase of the 16<sup>th</sup> and T property from CADA for an affordable housing project. (Attachment 4)
3. Approve a letter of commitment for a loan from CADA to the project developer in an amount not to exceed \$4,000,000 for the purposes of providing evidence of project gap financing required by prospective project funders. (Attachment 5)

#### CACDC

4. Approve a 2<sup>nd</sup> Amendment to the previously approved MOU between CADA, CACDC and Mutual Housing to provide Mutual Housing land purchase rights should CADA and/or CACDC decide to leave the project and decide to sell the property, project costs reimbursement should Mutual decide to leave the project, and first right of refusal by Mutual to purchase the site should CADA/CACDC decide to leave the project. (Attachment 3)

### **BACKGROUND**

In July 2021, staff began searching for available sites for multifamily affordable housing projects. Staff chose 2000 16<sup>th</sup> Street because of its large size, proximity to the R Street Corridor, and

prominent location at the intersection of a major arterial. In conformance with the acquisition policy adopted by the Board in August 2021, staff submitted a Letter of Intent/Offer to the owners of the property. CADA finalized the purchase of 2000 16<sup>th</sup> Street on July 15, 2022.

In August 2022 the CADA and CACDC Boards approved a Memorandum of Understanding with Mutual Housing California to establish a partnership and begin work on an affordable housing project at 16<sup>th</sup> and T Streets. CADA currently owns the property and per the terms in the MOU, CACDC is leading predevelopment efforts in partnership with Mutual Housing.

On October 14, 2022, the CADA and CACDC Boards approved a 1<sup>st</sup> Amendment to the MOU with Mutual Housing that addressed project guarantees and the collection of developer and asset management fees. The two Boards also provided the CADA Executive Director and CACDC President authority to take any and all actions necessary or advisable to order to complete funding requests to fund construction of the 16<sup>th</sup> and T project.

On January 19, 2024 the California Department of Housing and Community Development (HCD) and the Strategic Growth Council (SGC) released a Notice of Funding Availability (NOFA) for the 8<sup>th</sup> Round of Affordable Housing and Sustainable Communities (AHSC) Program Funds. The AHSC program provides loans and grants to localities, developers, public housing authorities, transit agencies, transit operators, tribal entities and other qualified entities to projects that reduce greenhouse gas emissions, strengthen the state economy, and improve public health and environment – particularly in disadvantaged communities. The CACDC and Mutual Housing partnership (Partnership) have identified the AHSC program as a source of potential funding for their planned affordable housing project at 16<sup>th</sup> and T Streets.

## **SUMMARY**

### MOU Amendment

Staff recommends the CACDC Board and CADA Board to approve a second amendment to the MOU with Mutual Housing that includes details regarding a desire by Mutual housing to have first rights to purchase the property should the CACDC and/or CADA decide to exit the project and/or sell the property. Under the amendment if any party decides not to proceed with the project and CADA decides to sell or receives an offer from a third party to purchase the property, Mutual will have the first right to purchase or make an offer on the property. The amendment also provides for project cost reimbursement to Mutual should it decide to leave the project, and first right of refusal by Mutual to purchase the site should CADA/CACDC decide to leave the project. Under this amendment Mutual will have purchase rights for 5 years after the current MOU term ends on September 1, 2024. The draft 2<sup>nd</sup> Amendment to the MOU is included as **Attachment 3** to this staff report.

### Land Option Agreement

Staff recommends that the CADA Board approve a land option agreement granting the 16T Partnership an exclusive option to purchase the 16<sup>th</sup> and T property for an affordable housing project. This partnership consists of 2000 16<sup>th</sup> St. Mutual Housing Association, LLC and CACDC. As previously mentioned, the Partnership will be applying for AHSC program funding to finance development of a 134-unit affordable housing apartment building. The AHSC application requires developers to provide evidence of site control of their proposed development site. The current MOU between CADA and the Partnership does not offer the necessary documentation to satisfy AHSC requirements for land control. The proposed land option agreement solidifies CADA's commitment to the Partnership's project.

The term of the Land Option Agreement is tied to the Partnership's ability to successfully obtain project financing in 2024. However, if financing is not obtained this year, the Partnership can

extend the agreement another year and pursue financing in 2025. Before exercising the option, both parties must agree to terms of a Purchase and Sale Agreement (PSA) and provide an Exercise Notice to CADA.

In addition to the terms above, the option agreement includes: a small option payment, right of entry and site investigation requirements, and other general agreement provisions. The draft agreement is included as **Attachment 4** of this staff report.

#### Funding Commitment Letter

Staff recommends the CADA Board approve a letter of commitment for a project gap loan to the Partnership in an amount not to exceed \$4,000,000. Staff has determined that \$4,000,000 would be an appropriate funding subsidy based on availability of CADA funds and likely size of the project. CADA has communicated this proposed funding availability, conditioned upon Board approval, to the Partnership and this proposed loan amount is assumed in the project's financial model. Since CADA's funding is assumed in the project budget and pro forma, the ASHC funding application will require a CADA funding letter of commitment to the Partnership.

A funding commitment letter demonstrates that CADA is willing to participate financially in the project. CADA's financial commitment also allows the project team to leverage CADA's pledged funds into possibly securing additional funds from AHSC and other affordable housing funding programs, such as tax credit financing from the California Tax Credit Allocation Committee and tax-exempt bonds from the California Debt Limit Allocation Committee.

A draft letter of commitment to provide a project gap loan is included as **Attachment 5**.

#### **FINANCIAL IMPACT**

As stated in the Summary of requested actions, CACDC and Mutual Housing, as the project developer, are requesting a loan commitment for purposes of developing the 16<sup>th</sup> and T Street project in an amount not to exceed \$4,000,000. The requested funds will provide evidence of local funding needed in order to leverage additional affordable housing program resources and address the project's entire financing gap. Staff proposes to utilize CADA 2020 Bond proceeds to eventually fund a 16<sup>th</sup> and T Street project loan. When the Partnership is ready to close the project financing, the gap loan documents will be presented to the CADA Board for approval.

#### **ENVIRONMENTAL CONSIDERATIONS**

The Partnership submitted for project land use entitlements which are under review and scheduled for approval on March 7, 2024. The City of Sacramento is the lead agency for environmental review on this project. The City staff has reviewed the project for compliance with the California Environmental Quality Act (CEQA) and have indicated the project will qualify for a statutory exemption pursuant to Public Resources Code (PRC) section 21155.4 and CEQA Guidelines section 15182(b). No environmental review or action is required by the Board.

Attachment 1 – CADA Resolution 24-10  
Attachment 2 – CACDC Resolution 24-01  
Attachment 3 – 2<sup>nd</sup> Amendment to MOU  
Attachment 4 – 16<sup>th</sup> and T Option Agreement  
Attachment 5 – Draft CADA Funding Commitment Letter

**RESOLUTION NO. 24 – 10**

Adopted by the Capitol Area Development Authority

February 23, 2024

**RESOLUTION AUTHORIZING THE CADA EXECUTIVE DIRECTOR TO ENTER INTO AN AMENDMENT TO MEMORANDUM OF UNDERSTANDING BETWEEN CADA, CACDC, AND MUTUAL HOUSING CALIFORNIA; EXECUTE A LAND OPTION AGREEMENT; AND APPROVE A LETTER OF COMMITMENT FOR A LOAN UP TO \$4,000,000 TO THE PROJECT DEVELOPER OF 2000 16<sup>th</sup> STREET**

**WHEREAS**, On August 21, 2021 the Capitol Area Development Authority (CADA) submitted a Letter of Offer to purchase a property at 2000 16<sup>th</sup> Street and the owners the property (Seller) accepted the offer on August 27, 2021;

**WHEREAS**, On November 16, 2021, a Purchase and Sale Agreement (PSA) that outlined the terms of the land sale was signed by CADA and the Seller;

**WHEREAS**, On February 23, 2022, the CADA Board authorized staff to close escrow and purchase the 2000 16<sup>th</sup> Street property;

**WHEREAS**, On July 15, 2022, CADA completed the purchase of the 2000 16<sup>th</sup> Street property;

**WHEREAS**, CADA intends to develop all or a portion of the Property as an affordable residential project, potentially including a retail and/or commercial component, consistent with permissible uses under the City of Sacramento land use regulations governing the Property;

**WHEREAS**, On August 19, 2022, the CADA Board approved a Memorandum of Understanding among CADA, CACDC and Mutual Housing regarding the roles and responsibilities of the parties in undertaking a project at 2000 16th Street;

**WHEREAS**, On October 14, 2022, the CADA Board approved an Amendment to the CADA, CACDC and Mutual Housing Memorandum of Understanding to address project guarantees and the collection of developer and asset management fees;

**WHEREAS**, CADA, the Capitol Area Community Development Corporation (CACDC), and Mutual Housing California (Mutual) are currently working together on an affordable residential project to be located at 2000 16<sup>th</sup> Street, Sacramento and have discussed their mutual desire to collectively pursue the development of a mixed-use project on the Property and explore joint development and ownership of the Project through a partnership;

**WHEREAS**, The Mutual and CACDC partnership desires to acquire the exclusive right to purchase the Property for the purpose of development of the Project under the specific terms the parties have negotiated and included in a draft Option Agreement;

**WHEREAS**, Mutual and CACDC desire to clarify the parties' rights should either decide to exit the Project; and

**WHEREAS**, Mutual and CACDC have requested evidence of a CADA loan commitment to the project in an amount not to exceed \$4,000,000 to further their project funding efforts by meeting funders' requirements.

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

1. Approves the attached 2nd Amendment to the previously approved Memorandum of Understanding (MOU) between CADA, CACDC and Mutual Housing to provide Mutual Housing land purchase rights should CADA and/or CACDC decide to leave the project and decide to sell the property, provide Mutual reimbursement of project development costs should it exit the project; and provide Mutual with a first right of refusal to purchase the site should CADA/CACDC decide to exit the project.
2. Approve the attached Land Option Agreement with the CACDC and Mutual Housing for their eventual purchase of the 16<sup>th</sup> and T property for an affordable housing project.
3. Approve the attached letter of commitment for a loan from CADA to the project developer in an amount not to exceed \$4,000,000 for the purposes of providing project gap funding.

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Ann Bailey, Chair

ATTEST:

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Tara Gandara  
Secretary to the Board of Directors



**RESOLUTION NO. 24 – 01**

Adopted by the Capitol Area Community Development Corporation

February 23, 2024

**RESOLUTION AUTHORIZING THE CACDC PRESIDENT TO ENTER INTO A SECOND AMENDMENT TO THE MEMORANDUM OF UNDERSTANDING BETWEEN CACDC, CADA, AND MUTUAL HOUSING CALIFORNIA**

**WHEREAS**, On August 21, 2021 the Capitol Area Development Authority (CADA) submitted a Letter of Offer to purchase a property at 2000 16<sup>th</sup> Street and the owners the property (Seller) accepted the offer on August 27, 2021;

**WHEREAS**, On November 16, 2021, a Purchase and Sale Agreement (PSA) that outlined the terms of the land sale was signed by CADA and the Seller;

**WHEREAS**, On February 23, 2022, the CADA Board authorized staff to close escrow and purchase the 2000 16<sup>th</sup> Street property;

**WHEREAS**, On July 15, 2022, CADA completed the purchase of the 2000 16<sup>th</sup> Street property;

**WHEREAS**, CADA intends to develop all or a portion of the Property as an affordable residential project, potentially including a retail and/or commercial component, consistent with permissible uses under the City of Sacramento land use regulations governing the Property;

**WHEREAS**, On August 19, 2022, the CACDC Board approved a Memorandum of Understanding among CADA, CACDC and Mutual Housing regarding the roles and responsibilities of the parties in undertaking a project at 2000 16<sup>th</sup> Street;

**WHEREAS**, On October 14, 2022, the CACDC Board approved a 1st Amendment to the CADA, CACDC and Mutual Housing Memorandum of Understanding to address project guarantees and the collection of developer and asset management fees;

**WHEREAS**, CADA, the Capitol Area Community Development Corporation (CACDC), and Mutual Housing California (Mutual) are currently working together on an affordable residential project to be located at 2000 16<sup>th</sup> Street, Sacramento and have discussed their mutual desire to collectively pursue the development of a mixed use project on the Property and explore joint development and ownership of the Project through a partnership; and

**WHEREAS**, Mutual and CACDC desire to clarify the parties' rights should either decide to exit the project.

**NOW, THEREFORE, BE IT RESOLVED**, that the Capitol Area Community Development Corporation Board of Directors hereby:

1. Approve the attached 2nd Amendment to the previously-approved MOU between CADA, CACDC and Mutual Housing to provide Mutual Housing land purchase rights should CADA and/or CACDC decide to leave the project and decide to sell the property, provide Mutual reimbursement of project development costs should it exit the project; and provide Mutual with a first right of refusal to purchase the site should CADA/CACDC decide to exit the project.

ATTEST:

\_\_\_\_\_  
Ann Bailey, Chair

\_\_\_\_\_  
Tara Gandara, Secretary

**Second Amendment to Memorandum Of Understanding  
Between  
The Capitol Area Development Authority, the Capitol Area Community Development  
Corporation, and Mutual Housing California**

This Second Amendment to Memorandum of Understanding (the "Amendment") is entered into on February 26, 2024 ("Effective Date"), by and between the **Capitol Area Development Authority**, a joint powers agency ("CADA"), the **Capitol Area Community Development Corporation**, a non-profit public benefit corporation ("CACDC"), and **Mutual Housing California**, a California non-profit corporation ("Mutual"). CADA, the CACDC, and Mutual are sometimes referred to individually as a "Party," and collectively, as the "Parties."

RECITALS

A. On or about August 31, 2022, the Parties entered into a Memorandum of Understanding, as amended by that certain Amendment to Memorandum of Understanding dated October 14, 2022 (collectively, "MOU") to collectively pursue the purchase and development of a mixed-use project (the "Project") on the real property located at 2000 16<sup>th</sup> Street (APN No's. 009-0151-006, -007, and -008), in the City of Sacramento, California (collectively, the "Property").

B. Pursuant to the terms of the MOU, the Parties agreed to negotiate in good faith the terms of a mutually beneficial arrangement that provides for development, construction, operation, management, and ownership of the Project.

C. The Parties desire to further amend this MOU in order to add additional provision in connection with rights of first offer and rights of first refusal for the Project.

D. On February 23, 2024, the CADA Board of Directors, and the CACDC Board of Directors approved this Amendment.

**NOW THEREFORE**, in consideration of the mutual agreements herein set forth, and other valuable consideration, receipt of which is hereby acknowledged, the Parties hereby agree to amend the MOU as follows:

AGREEMENT

1. Capitalized Terms. Unless expressly described herein to the contrary, all capitalized terms shall have the meaning ascribed to such term in the MOU.

2. Project Reimbursement Costs. Section 7 of the MOU is deleted and replaced in whole with the following:

7.1 Project Reimbursement Costs. If at the end of the Term, Mutual decides that it does not want to proceed with development of the Project, and CADA/CACDC thereafter desires to proceed with a project on the Property using the same Project design, then CADA/CACDC shall reimburse Mutual for all third-party Project costs expended by Mutual under this MOU, including but not limited to, costs for procuring architectural drawings, applications, studies, reports and other matters generated for the Project, but excluding Mutual's overhead costs incurred.



7.2 Right of First Offer. If at the end of the Term, Mutual or CADA/CACDC decides that it does not want to proceed with development of the Project and CADA thereafter decides to sell the Property, CADA shall first offer to sell the Property to Mutual in accordance with the following provisions of this Agreement:

(a) CADA shall deliver a notice ("Offer Notice") to Mutual stating (i) its intention to sell the Property, and (ii) the price, terms, and conditions on which it proposes to sell the Property.

(b) By written notification given by Mutual ("Acceptance Notice"), within thirty (30) calendar days after the giving of the Offer Notice, Mutual may elect to purchase the Property on the terms and conditions specified in the Offer Notice. If Mutual desires to develop the Project on the Property, Mutual shall reimburse CADA/CACDC for all third-party Project costs expended by them, including but not limited to, costs for procuring architectural drawings, applications, studies, reports and other matters generated for the Project, but excluding their overhead costs incurred.

(c) If the Acceptance Notice is not given, or not given in a timely manner, then CADA may, following the expiration of the period provided in Section 7.1(b) above, offer to sell the Property to any person or persons upon similar price and conditions.

(d) The right of first offer in this section shall not be applicable to sales or transfers of the Property to other CADA/CACDC affiliates, or development partners, or other parties directly or indirectly owned or controlled by or under common control with CADA/CACDC.

(e) The right of first offer set forth in this section may not be assigned or transferred by Mutual.

(f) This Right of First Offer shall terminate five\_ years after expiration of the MOU.

7.3 Right of First Refusal. If at the end of the Term, Mutual or CADA/CACDC decides that it does not want to proceed with development of the Project, and CADA thereafter receives an offer from a third-party to buy the Property, CADA shall comply with the following provisions of this Agreement regarding sale of the Property:

(a) Any such sale shall be pursuant to a written offer ("Offer") from Qualified Purchaser, defined below, setting forth the terms and conditions for such proposed purchase, provided that such terms and conditions must provide for an all-cash purchase price. A Qualified Purchaser shall be an independent third party that is not directly or indirectly owned or controlled by or under common control with Mutual and that intends to purchase the Property for its own account.

(b) If CADA receives an Offer that CADA is willing to accept, CADA shall give Mutual a copy of the Offer and certify to Mutual that the proposed purchaser is a Qualified Purchaser ("Offer Notice").

(c) Mutual shall have thirty (30) days from the delivery of the Offer Notice ("Acceptance Period") within which to notify CADA of its election to purchase the Property under the terms and conditions specified in the Offer, by giving written notice to CADA ("Acceptance Notice") of such election. If Mutual desires to develop the Project on the Property, Mutual shall reimburse CADA/CACDC for all third-party Project costs expended by them, including but not limited to, costs for procuring architectural drawings, applications, studies, reports and other matters generated for the Project, but excluding their overhead costs incurred.

(d) On delivery of the Acceptance Notice, CADA and Mutual shall proceed to consummate the sale and purchase of the Property on the terms and conditions set forth in the Offer.

(e) If the Acceptance Notice is not given in a timely manner, then CADA may thereafter proceed to sell the Property any time, on the terms and conditions set forth in the Offer, free and clear of any rights of Mutual under this Right of First Refusal. CADA may make changes in the terms and conditions of the Offer as long as such changes are not materially more favorable to CADA and are agreed to by Mutual after the Offer has been submitted to Mutual.

(f) The right of first refusal set forth in this section shall not be applicable to sales or transfers of the Property to other CADA/CACDC affiliates, or development partners, or other parties directly or indirectly owned or controlled by or under common control with them, or to sales or transfers for purposes other than development of an affordable housing project.

(g) The right of first refusal set forth in this section may not be assigned or transferred by Mutual.

(h) This Right of First Refusal shall terminate five years after expiration of the MOU

### 3. Miscellaneous.

3.1 No Other Amendments. The Parties agree that there are no other amendments to the MOU other than the First Amendment and those amendments contained in this Second Amendment, and that all other terms and conditions of the MOU are in full force and effect.

3.2 Conflict. In the event of conflict between the terms of the MOU, the First Amendment, and this Second Amendment, the Parties intend that the terms contained in this Second Amendment shall control and prevail.

3.3 Counterparts. This Amendment may be executed in several counterparts, and may be delivered by facsimile or other means of electronic transmission, each of which shall be deemed an original.

**(Signatures on Next Page)**

**IN WITNESS WHEREOF**, the Parties have executed this Amendment on the day and year first above written.

CADA:

**Capitol Area Development Authority,**  
a joint powers agency

By: \_\_\_\_\_  
**Danielle Foster**, Executive Director

APPROVED AS TO FORM:

By: \_\_\_\_\_  
**Jeffery A. Mitchell**, CADA legal counsel

CACDC:

**Capitol Area Community Development Corporation,**  
a non-profit public benefit corporation

By: \_\_\_\_\_  
**Danielle Foster**, President

APPROVED AS TO FORM:

By: \_\_\_\_\_  
**Jeffery A. Mitchell**, CACDC legal counsel

MUTUAL:

**Mutual Housing California,**  
a California non-profit public benefit corporation

By: \_\_\_\_\_  
**Roberto Jimenez**, Chief Executive Officer

## OPTION AGREEMENT

This Option Agreement ("Option" and/or "Agreement") is made March 13, 2024 ("Effective Date"), by and between the **Capitol Area Development Authority**, a joint powers agency ("CADA" and/or "Optionor"), and **2000 16<sup>th</sup> St Associates, LP**, a California limited partnership ("Optionee"). Optionor and Optionee are hereafter referred to individually as a "Party" or collectively as the "Parties."

### RECITALS

A. Optionor is the owner of certain real property located at 2000 16<sup>th</sup> Street, APN No.'s 009-0151-006, -007, and -008, in the City of Sacramento, California, as legally described in **Exhibit A**, attached hereto and incorporated herein (the "Property").

B. Optionee is a partnership consisting of general partners 2000 16<sup>th</sup> St Mutual Housing Association, LLC, a California limited liability company ("Mutual") and CADA's non-profit affiliate, 2000 16<sup>th</sup> St CACDC Association, LLC, a California limited liability company ("CACDC"), and was created for the purpose of developing a 134-unit affordable housing project with 30% to 60% area median income (AMI) limits ("Project") on the Property.

C. Optionor, and affiliates of Mutual and the CACDC, also entered into a Memorandum of Understanding that describes their relationship and their respective roles and responsibilities regarding development of the Project on the Property.

D. Optionee desires to acquire the exclusive right to purchase the Property for the purpose of development of the Project under the specific terms set forth in this Agreement.

**NOW, THEREFORE**, in consideration of the mutual promises contained in this Agreement and of other valuable consideration, the receipt and sufficiency of which the Parties hereto expressly acknowledge, it is agreed as follows:

### AGREEMENT

#### 1. Option to Purchase.

1.1 Option. Optionor grants to Optionee an exclusive option to purchase the Property on the terms and conditions of this Agreement.

1.2 Purchase Agreement Form. Prior to the exercise of the Option, Optionor and Optionee shall agree on the final form, terms and conditions of the purchase and sale agreement for the Property ("Purchase Agreement"), which Purchase Agreement shall incorporate the basic terms set forth on **Exhibit B**, attached hereto and incorporated herein, as well as general customary terms. Upon the mutual agreement of the final form, terms and conditions of the Purchase Agreement, the Parties shall attach the form of the Purchase Agreement to this Agreement as a substitute **Exhibit B**. If Optionor and Optionee do not agree in writing on the form, terms and conditions of the Purchase Agreement prior to the expiration of the Option Term (as hereinafter defined), this Agreement and the Option shall automatically terminate, without the need of any notice or documentation, and neither party shall have any further rights or obligations hereunder.

2. Option Consideration. Optionor grants this Option to Optionee in consideration of the Optionee's payment of One Hundred Dollars (\$100.00), to be paid within three (3) days of the Effective Date, which is not to be credited against the purchase price for the Property ("Option Fee").

3. Term. The term of this Agreement shall begin on the Effective Date and shall expire on December 31, 2026, as may be extended pursuant to the terms herein (the "Option Term"). The Parties acknowledge that the Option termination date is based on Optionee obtaining a loan award from the Affordable Housing Sustainable Communities (AHSC) program, 4% tax credit allocation from the California Tax Credit Allocation Committee (CTCAC), and tax-exempt bond allocation from the California Debt Limit Allocation Committee (CDLAC) to assist in financing the Project. In the event that Optionee does not receive 2024 AHSC, CTCAC, and CDLAC allocations 2024, and Optionee decides to apply to AHSC, CTCAC, and CDLAC in 2025 then upon written notice to Optionor by no later than December 31, 2024, Optionee may in its sole discretion extend the Option Term to December 31, 2026.

4. Title. Optionee has been provided with a preliminary title report dated March 23, 2022 (NEED UPDATED PTR) (the "Preliminary Report") covering the Property issued by Stewart Title. Optionee shall approve or disapprove any exceptions to title shown on the Preliminary Report in writing to Optionor and Escrow Holder within thirty (30) days after the Effective Date. Optionor shall notify Optionee of whether Optionor is willing to remove the items disapproved by Optionee within thirty (30) days after receipt of Optionee's title objections. If Optionor does not agree to remove any one or more of such disapproved exceptions prior to the expiration of said 30-day period, or if any additional items appear which would show as exceptions to title insurance in the title policy, and Optionor fails to agree to remove the same within fifteen (15) days after Optionee's notification to Optionor of the same, Optionee shall have the right to waive the disapproved exceptions and proceed with this Option subject to the disapproved exceptions, or terminate this Option, in which event both Parties shall be relieved of all further obligation and liability to each other under this Option. Optionee must be satisfied with the condition of title before exercising this Option. Optionee's failure to object to any title exception prior to providing an Exercise Notice (as defined in Section 8 below) shall be deemed to be an approval of that exception.

5. Right of Entry and Investigation.

5.1 Property Documents. Within ten (10) days after the Effective Date, Optionor shall provide Optionee copies of all studies, environmental reports, surveys, soils reports, and other reports and studies relating to the Property that are in its possession or under its control.

5.2 Investigation. During the Option Term, Optionee may undertake, at Optionee's expense, inspection and review of the Property, including, but not limited to, reasonable non-destructive inspections, investigations, tests, copies, verifications, assessments, surveys and studies as Optionee considers reasonably necessary or desirable, under the circumstances, regarding the Property and its condition, which may include, without limitation, inspections regarding zoning, building codes and other governmental regulations; imposition of governmental obligations and assessments; architectural inspections; engineering tests; economic feasibility and marketing studies; availability of sewer, water, storm drain and other utilities; availability of roads, access and services; soils, seismic, engineering and geologic reports; non-destructive environmental assessments, studies, tests and reports; structural and mechanical systems inspections; and availability of permits, land use entitlements, development rights and approvals, and other governmental approvals. All inspections shall be made at Optionee's sole cost and expense and shall not unreasonably interfere with the Optionor's use of the Property. Optionee

must be satisfied with the condition of the Property before exercising this Option. If Optionee provides an Exercise Notice to Optionor, such exercise shall be deemed to be an approval of the Property condition.

5.3 Access. Access to the Property from the Effective Date through the Option Term (and through Close of Escrow if the Option is exercised) shall be given to Optionee, its agents, employees, consultants, or contractors during normal business hours, at reasonable times, upon at least one (1) business days' notice to the Optionor, at Optionee's own cost and risk, for the purpose of conducting its investigation of the Property as set forth in Section 5.2. Optionee shall restore the Property as a result of such investigations, and return the affected portion of the Property to its condition immediately prior to such investigation. Optionee shall repair any damage to the Property caused by any of its inspections. Optionee shall indemnify and defend the Optionor against and hold the Optionor harmless from all losses, costs, damages, liabilities, and expenses arising out of negligent or willful acts by Optionee or its agents, employees, consultants, or contractors on the Property in connection with Optionee's entry onto the Property, or any activity thereon, except to the extent any such losses, costs, damages, liabilities, and expenses arise out of any negligent or willful act of the Optionor or the Optionor's agents, employees or contractors; provided however, Optionee's discovery of or impact on an adverse condition or defect on or affecting the Property shall not trigger Optionee's indemnification obligations. Optionee's obligation to indemnify and defend the Optionor shall survive termination of this Agreement.

5.4 Insurance. Prior to its first entry onto the Property and at all times during the Option Term (and through Close of Escrow if the Option is exercised), Optionee shall maintain commercial general liability insurance covering the activities of Optionee on the Property. Such insurance shall have a per occurrence limit of at least One Million Dollars (\$1,000,000.00) and an aggregate limit of at least Two Million Dollars (\$2,000,000.00), shall name the Optionor as additional insured, shall be primary and noncontributing with any other insurance available to Optionee, and shall be issued on an occurrence basis. Prior to any entry onto the Property by Optionee or its agents, employees, consultants, or contractors, Optionee shall furnish the Optionor with a certificate of such insurance in form and substance reasonably acceptable to the Optionor.

6. Exercise of Option. After the parties have agreed to terms of the Purchase Agreement, and have attached it hereto as Exhibit B, and Optionee has otherwise complied with the terms of this Agreement and is not in default of this Agreement, the Option may be exercised by Optionee by delivering to Optionor, before the expiration of the Option Term, written notice of the exercise ("Exercise Notice"), which shall state that the Property is being purchased subject to the terms of the Purchase Agreement and that the Option is exercised without condition or qualification (except to the extent provided in the Purchase Agreement). The Exercise Notice shall be accompanied by two (2) originals of the Purchase Agreement executed by Optionee, dated as of the Exercise Date, with an approved legal description added as an exhibit to the Purchase Agreement.

7. Optionor's Cooperation in Seeking Permits and Approvals. During the Term, Optionee may meet with all city, county, district and other governmental entities to discuss Optionee's proposed development of, and other matters relating to, the development of the Property and may obtain all Project approvals that Optionee may deem necessary or advisable in connection therewith. Provided Optionor does not incur any liabilities or out-of-pocket costs except those authorized by Optionor and without binding the Property prior to the execution and delivery of the Purchase Agreement in any way, Optionor agrees to cooperate with Optionee in any such matters and execute any and all documents or join in any applications that may be required to obtain all such Project approvals in connection with the Development.

8. Use of Property by Optionor During Option Term. During the Option Term, Optionor shall maintain the Property in its current condition. Optionor shall not be responsible for unauthorized third party's actions affecting the Property.

9. Representations and Warranties. Each of the Parties to this Agreement represents and warrants to the other that the persons who have executed this Agreement have been authorized to do so by the Party on whose behalf the person is signing. All documents to be delivered under this Agreement will be executed by an authorized person. Each Party has a good and legal right to enter into this Agreement and to perform all covenants contained in this Agreement.

10. General Provisions.

10.1 Notices. All notices, demands, consents, requests or other communications required to or permitted to be given pursuant to this Agreement shall be in writing and shall be addressed to the Parties in the manner set forth below, and shall be conclusively deemed to have been properly delivered and received by the receiving Party (a) upon receipt when hand delivered, (b) upon receipt when sent by email to the address set forth below (with written confirmation of receipt from the sender), (c) upon the day of delivery if the notice has been deposited in an authorized receptacle of the United States Postal Service as first-class, registered or certified mail, postage prepaid, with a return receipt requested (provided that, the sender has in its possession the return receipt to prove actual delivery), or (d) upon actual delivery if deposited with any commercially-recognized overnight carrier that routinely issues receipts (provided that, the sending Party receives a confirmation of actual delivery from the courier). The addresses of the Parties to receive notices are as follows:

If to Optionor: Capitol Area Development Authority  
1522 14<sup>th</sup> Street  
Sacramento, CA 95814  
Attention: Danielle Foster  
Email: [dfoster@cadanet.org](mailto:dfoster@cadanet.org)

with a copy to: Kronick Moskovitz Tiedemann & Girard  
1331 Garden Hwy, 2<sup>nd</sup> Floor  
Sacramento, CA 95833  
Attn: Jeffrey A. Mitchell  
Email: [jmitchell@kmtg.com](mailto:jmitchell@kmtg.com)

If to Optionee: 2000 16<sup>th</sup> St Associates, LP  
c/o Capitol Area Development Authority  
1522 14<sup>th</sup> Street  
Sacramento, CA 95814  
Attention: Danielle Foster  
Email: [dfoster@cadanet.org](mailto:dfoster@cadanet.org)

with a copy to: 2000 16th St Mutual Housing Association, LLC  
3321 Power Inn Road, Suite 320  
Sacramento, CA 95826  
Attention: Roberto Jimenez  
Email: [roberto@mutualhousing.com](mailto:roberto@mutualhousing.com)

With a copy: 2000 16<sup>th</sup> St CACDC Association, LLC  
c/o Capitol Area Development Authority  
1522 14<sup>th</sup> Street  
Sacramento, CA 95814  
Attention: Danielle Foster  
Email: [dfoster@cadanet.org](mailto:dfoster@cadanet.org)

If any notice is refused, the notice shall be deemed to have been delivered upon such refusal. Any notice delivered after 5:00 p.m. (recipient's time) or on a non-business day shall be deemed delivered on the next business day. A Party may change or supplement the addresses given above, or designate additional addressees, for purposes of this section by delivering to the other Party written notice in the manner set forth above.

10.2 Entire Agreement. This Agreement, including all Exhibits and the Memorandum of Option contain the entire agreement of the Parties hereto with respect to the matters covered hereby, and supersedes all prior arrangements and understandings between the Parties, and no other agreement, statement or promise made by either Party hereto which is not contained therein shall be binding or valid.

10.3 Assignment. No Party may assign this Agreement or any rights created hereunder without the prior written consent of the other Party.

10.4 Severability. If any provision of this Agreement is held invalid or unenforceable by any court of final jurisdiction, it is the intent of the Parties that all the other provisions of this Agreement be construed to remain fully valid, enforceable and binding on the Parties.

10.5 Waivers. A waiver or breach of covenant or provision in this Agreement shall not be deemed a waiver of any other covenant or provision in this Agreement, and no waiver shall be valid unless in writing and executed by the waiving Party. An extension of time for performance of any obligation or act shall not be deemed an extension of the time for performance of any other obligation or act.

10.6 Construction. The section headings and captions of this Agreement are, and the arrangement of this instrument is, for the sole convenience of the Parties to this Agreement. The section headings, captions, and arrangement of this instrument do not in any way affect, limit, amplify, or modify the terms and provisions of this Agreement. The singular form shall include plural, and vice versa.

10.7 Assignment. No Party may assign this Agreement or any rights created hereunder without the prior written consent of the other Party.

10.8 Time of Essence. Time is of the essence for this Option Agreement.

10.9 Amendments. This Agreement may only be amended by written document signed by each of the Parties hereto.

10.10 Third-Party Rights. Nothing in this Agreement, express or implied, is intended to confer on any person, other than the Parties to this Agreement and their respective successors and assigns, any rights or remedies under or by reason of this Agreement.



10.11 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same Agreement.

10.12 Attorneys' Fees. Should any litigation be commenced between the Parties hereto concerning the Property, this Agreement, or the rights and duties of either in relation thereto, the prevailing Party in such litigation shall be entitled, in addition to such other relief as may be granted, to its costs, including attorneys' fees, and costs for such litigation and for executing upon or appealing any judgment.

10.13 Governing Law; Venue. This Agreement shall be construed in accordance with and governed by the laws of the State of California. In the event of litigation arising under this Agreement, venue shall reside exclusively in the Superior Court of the County of Sacramento.

***(Remainder of Page Intentionally Left Blank)***

**IN WITNESS WHEREOF**, the parties have caused this Agreement to be executed on the date first set forth above.

OPTIONOR:

**Capitol Area Development Authority,**  
a joint powers agency

By: \_\_\_\_\_  
**Danielle Foster**, Executive Director

APPROVED AS TO FORM:

\_\_\_\_\_  
Jeffrey A Mitchell, City Attorney

OPTIONEE:

**2000 16<sup>th</sup> St Associates, LP**  
a California limited partnership

By: **2000 16<sup>th</sup> St CACDC Association, LLC,**  
a California limited liability company  
Its: Managing General Partner

By: \_\_\_\_\_  
Danielle Foster, President

By: **2000 16th St Mutual Housing Association, LLC,**  
a California limited liability company  
Its: Administrative General Partner

By: \_\_\_\_\_  
Roberto Jimenez, President

**Exhibit A to Option Agreement**

(Legal Description of Property)

## **Exhibit B to Option Agreement**

### (General Terms of Purchase Agreement)

1. The Purchase Price shall be the market value of the Property contained in an independent, complete and self-contained appraisal report prepared prior to the end of the Option Term by a qualified, independent real estate appraiser having previous experience appraising like-kind properties, selected by Optionor and approved by the Optionee, which approval will not be unreasonably withheld, at Optionor's cost. The appraisal report shall be prepared in accordance with the Uniform Standards of Professional Practice (USPAP) and shall meet the requirements of the Project's funding sources. Optionee shall have the right to utilize the appraisal in connection with its AHSC, CTCAC, CDLAC, and any other financing applications. The Purchase Price shall be paid as a seller purchase money promissory note and secured by a subordinate purchase money deed of trust. The terms of the loan shall be determined prior to the execution of the Purchase Agreement. (FOR THE AHSC, CTCAC, AND CDLAC APPLICATIONS, THE SELLER CARRYBACK LOAN TERMS WILL HAVE TO BE 55 YEAR TERM, AT THE APPLICABLE FEDERAL RATE, PAYABLE FROM THE GENERAL PARTNER'S SHARE OF RESIDUAL RECEIPTS DEBT SERVICE PAYMENTS)

2. The Closing Date shall be on or before the closing of the construction loan for the Project.

3. CADA shall provide purchaser with an owner's policy of title insurance with liability in the amount of the Purchase Price showing title to the Property vested in purchaser free and clear of exceptions and encumbrances except non-delinquent general and special real property taxes and assessments, easements, encumbrances, covenants, conditions, restrictions, rights of way and other matters of record approved by purchaser during the Option Term and the standard preprinted exceptions of exclusions from coverage set forth in the title policy.

4. Title to the Property shall be conveyed to purchaser pursuant to a grant deed in a form and content to be approved by the parties and attached to the Purchase Agreement.

5. All items of income and expense related to the Property, including non-delinquent real property taxes and assessments shall be prorated to the closing date.

6. CADA shall pay one-half (1/2) of the escrow fee, all documentary transfer taxes and all title insurance premiums for that portion of the Owner's title policy which would be incurred for a standard CLTA form of owner's title insurance policy. Purchaser shall pay one-half (1/2) of the escrow fee, all title insurance premiums associated with any title insurance coverage required by any lender, that portion of the owner's title policy premium which is attributable to the additional cost of ALTA extended coverage, if applicable, the cost of any survey of the Property requested by purchaser and the cost of any title endorsements requested by purchaser.

7. The Purchase Agreement shall contain representations and warranties from CADA and purchaser to be agreed to by the parties. Otherwise, the Property acquired by purchaser shall be in its AS-IS, WHERE-IS condition, including all environmental conditions, and the Purchase Agreement shall include the release and waiver by purchaser of California Civil Code section 1542.

a. The Purchase Agreement will include standard seller conditions for close of escrow, including (a) Purchaser has executed and delivered all documents required under the

Purchase Agreement; (b) Purchaser has submitted to CADA required certificates of insurance; and (c) Purchaser is not in material default of any provision of the Purchase Agreement or any other agreement related to development of the Project.



February 23, 2024

Mutual Housing California  
C/O Roberto Jimenez  
3321 Power Inn Road, Suite 320  
Sacramento, CA 95826

RE: Permanent financing support for 2000 16th Street

Dear Mr. Jimenez,

Subject to receipt of all required and requested submittal materials, listed below is a summary of proposed terms for a construction and permanent financing source for the 2000 16<sup>th</sup> Street project that the Capitol Area Development Authority Board of Directors preliminarily approved on February 23, 2024. The terms include a loan not to exceed \$4,000,000 to the Borrower entity for construction of the project and an agreement that the project will provide at least 100% of the units to households making between 30% or less of the Area Median Income (AMI) and 80% or less of the AMI.

### Proposed Loan and Terms

1. **Project Description:** The proposed project currently consists of a 5 story mixed-use, affordable housing building with 134 apartments. The project will have a mix of studio, one and two bedroom units. Proposed project amenities include a multi-purpose community room, courtyard, roof deck, and rooftop solar panels, secure bike storage spaces, visitor bike spaces, and limited vehicle parking spaces.
2. **Assessor's parcel number for property:** APNs 009-0151-006, -007, and -008
3. **Borrower:** A yet to be formed special purpose entity Limited Partnership to be created between Mutual Housing California and Capitol Area Community Development Corporation ("LP").
4. **Documentation:** Upon the request of CADA Borrower and the LP partners shall provide CADA with any documents related to the Project including, but not limited to businesses and financial information and other 3<sup>rd</sup> party reports.
5. **Approvals and Permits:** A condition precedent to approval of the Loan and execution of the Loan documents is the project's land use and building permit approvals by the City of Sacramento.
6. **Disbursement:** Funding shall be dispersed upon the appropriate building permit approval, the closing of all other funding sources, and upon satisfaction of all conditions set forth in the loan documents.
7. **Project Bid:** Prior to disbursement of the loan, CADA shall be given a copy of the chosen contractors' project bids.

8. **Use of Funds:** The loan shall be used for the construction and permanent financing of 2000 16<sup>th</sup> Street, an affordable housing project consisting of at least 134 new affordable apartment units and approximately 2500 square feet of ground floor commercial uses. The project will include income restrictions to 100% of the units with income levels between 30% or less of the AMI and 80% or less of the AMI.

**LOAN TERMS**

9. **Maximum Loan Amount:** \$4,000,000.00
10. **Loan Interest:** To be determined
11. **Term:** 55 years from receipt of Certificate of Occupancy.
12. **Fees:** No fees
13. **Payment:** Annual Payments of principal and interest commencing in the 15th year after the Project receives its Certificate of Occupancy in an amount to be determined based on a percentage of Residual Cash Flow receipts for the preceding calendar year.
14. **Prepayment Penalty:** None

SECURITY: The Loan shall be evidenced by a promissory note secured by a deed of trust with assignment of rents against the Borrower's interest in the Property, which shall be a lien upon the Property subject to liens senior to CADA's lien securing loans for the construction and development of the Project. **This Commitment does not contain all of the terms and provisions that will be included in the final loan documents and the final terms and conditions of this loan, if granted, shall be governed by the executed loan documents.**

Sincerely,

Danielle Foster  
CADA Executive Director

UNDERSTOOD AND AGREED TO:

-----, LP

By: \_\_\_\_\_  
Name:  
Title:  
Dated: \_\_\_\_\_