



Memorandum

DATE: October 11, 2017

TO: Interested Stakeholders

FROM: SHRA Development Finance Staff

RE: Comments Received on 2017 Revisions to Multifamily Financing and Mortgage Revenue Bond Policies

On September 12, 2017, SHRA released draft update to SHRA's Multifamily Financing and Mortgage Revenue Bond Policies for public comment. Stakeholders were invited to comment in writing by September 29th and at a September 28th meeting held at SHRA.

This memo provides a summary of 1) proposed or current policy (**bold**); 2) comments received, and 3) SHRA's responses (*italics*) and/or proposed language changes (***bold italics***).

Introduction (Introduction – pg. 4)

SHRA administers the federal HOME and Community Development Block Grant (CDBG) Programs on behalf of the City and unincorporated County of Sacramento. Acceptance of federal funds for projects entails adhering to federal requirements including the National Environmental Policy Act and may trigger Davis Bacon prevailing wage requirements. CDBG can only be used on rehabilitation projects.

- Introduction states CDBG can only be used for rehabilitation projects. SHRA should clarify this in line with federal regulations.

Strike sentence: "~~CDBG can only be used on rehabilitation projects.~~"

Exhibit 1 further details the eligible uses for CDBG funds.

Affordable Housing Priorities (Section 1.1)

Affordable housing priorities:

1. Preservation

Preservation of projects which are currently publicly subsidized, but at risk of losing affordability restrictions due to sale, termination, or public subsidy reductions.

2. New Construction

Projects will be prioritized as follows:

- Permanent Supportive Housing, including Extremely Low Income (ELI) and Homeless housing
- Workforce
- Veterans

3. Recapitalization

Substantial rehabilitation of projects with affordability restrictions, including projects that have reached the expiration of their 15-year tax credit compliance period, but only in conjunction with new mortgage revenue bonds, tax credits, and/or other affordable housing resources to the greatest extent feasible.

4. Rehabilitation

Substantial rehabilitation of other projects, including the conversion of market rate to affordable housing.

*Amend language to read: "Substantial rehabilitation of other projects, including the conversion of market rate to affordable housing. **Preference is given to those properties on the City and/or County of Sacramento's Problem Property List.**"*

- Explain rationale for priorities selected, especially where they defer from stakeholder feedback.

With the exception of the proposal to leave Preservation as the first priority, priorities are according to stakeholder feedback received. Preservation remains the top priority as staff feels that losing existing regulated, affordable units is counter to the Agency's purpose and mission. Preservation includes projects that but for SHRA involvement, would lose affordability restrictions.

- Under the New Construction priority, it is unclear how new construction projects other than those subsets identified as priorities will be prioritized. "Workforce" needs to be more clearly defined, by funding source and Area Median Income (AMI) level.

Amend language to read: "Projects will be prioritized as follows:

- *Permanent Supportive Housing, including Extremely Low Income (ELI) and Homeless housing*
- *Workforce (30% AMI to 80% AMI)*
- *Veterans*
- *Other"*

- Considers recapitalizations earlier than the end of the 15 year compliance period and in a way that is less comprehensive than what SHRA's Policies and process require

Minimum Construction Standards are a result of funding limitations imposed by programs like HOME and the need for major systems to be in compliance with tax credit requirements of 15 years or longer.

- SHRA should consider designating portions of its available funding to both new construction and recapitalization projects rather than creating an absolute priority of one over the other.

Due to limited funding resources, this is not feasible given the funding amount required to make a project.

- SHRA should consider making provisions for multi-year commitments such that a commitment made in one year is made with the understanding that the project will be first in line for an additional commitment the following year.

By amending its funding allocation process to accept pre-applications twice a year, SHRA is attempting to meet these larger funding gaps in an environment of limited funding. The federal HOME program requires funds be committed and expended in a timely manner, and as such, a multi-year waitlist is not advisable.

- Provide more explanation of how priorities will be applied when reviewing applications

SHRA staff first considers all projects that fall under the first priority (Preservation). Preservation projects for which funds are available will be invited for a full application. Second priority pre-applications (New Construction) will be reviewed and full applications accepted, in order of priority, and so on, until no funds are remaining.

Location Policy (Section 1.2)

1.2. Location policy. Sacramento Housing and Redevelopment Agency (SHRA) will not allow funding of low-income housing in areas with significant adjacent to existing regulated low-income housing. SHRA will prioritize new construction projects within the Promise Zone and those which may be considered Transit Oriented Developments (TOD).

- Extremely Low Income (ELI) and low-income communities in areas outside of the Promise Zone should also be given priority.

The Promise Zone is a federal recognized and the Sacramento City Council and Board of Supervisors have approved the Promise Zone boundaries.

- How will SHRA's location preferences fit with other funding program location preferences, such as TCAC and AHSC?

The addition of Transit Oriented Developments aligns with AHSC requirements. Current TCAC regulations prioritize Difficult to Develop Areas (DDAs) and Qualified Census Tracts (QCTs), a number of which fall within the Promise Zone.

- Better define "adjacent to" in regards to existing regulated low-income housing.

*Amend language to read: "SHRA **discourages building will not allow funding of low-income housing** in areas **with significant adjacent to** existing regulated low-income housing **and will not finance building directly next to or across the street from existing regulated low-income housing.**"*

- Better define Transit Oriented Development (TOD).

Amend language to read: “SHRA will prioritize new construction projects within the Promise Zone and those which may be considered Transit Oriented Developments (TOD) according to the California Department of Housing and Community Development’s (HCD) Transit Oriented Development Housing Program requirements.”

Application Process (Section 1.6)

1.6 Application process. Pre-applications for SHRA financing are accepted twice a year according to the schedule approved by the City Council and Board of Supervisors, which is published annually. SHRA will endeavor to publish available funding at least 45 days in advance of the pre-application deadline.

- Concern regarding the use of the word endeavor rather than making a commitment to a timeline for announcing availability of funding. At least 60 days (90 days would be better) would allow developers time to prepare for SHRA application.

*Revise language to read: “SHRA will ~~endeavor to~~ publish available funding **at least 45 a minimum of 60** days in advance of the pre-application deadline.”*

- Should additional funds become available after publishing the pre-application notice of availability, SHRA should use the common practice of issuing addenda to published notices.

Any additional funds available after publication of available funding will be made available for the following application round.

Debt coverage (Section 2.2)

2.2 Debt coverage. For the purpose of determining the debt service schedule for the SHRA loan, a minimum combined debt service coverage ratio of 1.20 is required for the term of the loan.

- Debt coverage ratio is too high and is above TCAC’s guidelines. Leave requirement as is as 1.10 to 1.15, which is in alignment with other resources. Consider allowing a lower debt coverage ratio with HUD financing.

*Revert to previously approved language: “For the purpose of determining the debt service schedule for the SHRA loan, a minimum combined debt service coverage ratio **of 1.10 to 1 and maximum of 1.20 to 1** is required for the term of the loan.”*

Interest rate (Section 2.4)

2.4. Interest rate. An interest rate of 4% simple interest will be applied to SHRA loans. Simple interest is calculated on the loan amount outstanding from date of first disbursement, based upon a 360-day year and actual number of days elapsed. Under limited circumstances, a lower interest rate may be approved if the project can show an inability to service the debt at the standard rate. Such modification of the interest rate will be approved on an individual project basis.

- SHRA should allow an interest rate lower than 4%. Clarify that this is actually the maximum rate and include more explanation of circumstances in which lower rates can be approved.

Existing language addresses this: “An interest rate of 4% simple interest will be applied to SHRA loans... Under limited circumstances, a lower interest rate may be approved if the project can show an inability to service the debt at the standard rate. Such modification of the interest rate will be approved on an individual project basis.”

- Interest should only accrue on the amount disbursed not the entire balance at first disbursement, as this increases project costs when not getting the use of funds.

Existing language addresses this: “Simple interest is calculated on the loan amount outstanding from date of first disbursement, based upon a 360-day year and actual number of days elapsed.”

Loan repayment (Section 2.7)

2.7. Loan repayment. Loan payments are deferred during construction and during repayment of any deferred developer fee, and are then repaid over the remainder of the term. Balloon payments are permissible in instances where cash flow alone cannot repay the debt.

2.7.1 Residual receipts loans are only considered if required by other state or federal funding sources.

- SHRA should allow residual receipts loans similar to other lenders.

Existing language addresses this: “Residual receipts loans are only considered if required by other state or federal funding sources.”

Term of senior financing (Section 2.12)

2.12. Term of senior financing. The term of any permanent loan senior to SHRA’s loan will be no less than 15 years from the date of conversion to permanent financing. Any permanent loan senior to SHRA financing shall be amortizing and for a term of no less than 15 years.

- Define amortizing period

*Amend language to read: “Any permanent loan senior to SHRA financing shall be **both** amortizing and ~~for~~ **have** a term of no less than 15 years.”*

Cost savings (Section 2.13)

2.13. Cost savings. All projects are subject to the SHRA’s cost savings provisions whereby if there are cost savings in a project, as evidenced in the final cost certification, SHRA, in its sole discretion, will withhold one half of the cost savings from the retention and the loan balance shall be reduced by the amount withheld.

- SHRA should consider the net savings to the project rather than just the savings indicated by the amounts shown for certain line items in the cost certification as compared to original budgets. When decreases in costs also reduce the project basis and resulting equity

investment, this should be considered before determining the amount that goes back to SHRA.

This is SHRA's current practice.

Application and Annual Loan Fees (Section 2.15) and Bond Issuance Fees (Section 9.1.10)

2.15. Application and annual loan fees. Applicants must submit a Pre-Application and a full Application, if requested, according to the procedure outlined in Section 10. At the time a full Application for an SHRA loan is submitted the developer must pay a “good-faith” deposit of \$5,000 (or \$12,500 if the application is also for the issuance of bonds) to cover SHRA staff costs (at \$85 per hour) and expenses in determining the feasibility of the project and processing the loan application. In addition, SHRA will receive an Annual Administration Fee equal to 12.5 basis points (0.125%) of the original loan amount (or 0.125% of just the original bond amount if bonds are issued) as compensation for monitoring compliance with regulatory restrictions and the administration of the loan. SHRA will also receive a Fee equal to \$100 per each SHRA-regulated, non-bond unit per year.

9.1.10. Bond issuance fees. SHRA receives compensation for its services in preparing for a bond issuance by charging an issuance fee of 25 basis points (0.25%) of the bond issuance amount payable at the bond closing. In addition, SHRA receives an Annual Administration Fee equal to 12.5 basis points (0.125%) of the original bond issuance amount as compensation for compliance monitoring of regulatory restrictions and the administration of outstanding bonds. The fee is payable two years following the Effective Date of the Loan Agreement in advance in equal semi-annual installments for the term of the regulatory period, or 55 years after the date on which at least fifty percent (50%) of the units in the project are first occupied. SHRA will also receive a Fee equal to \$100 per each SHRA-regulated, non-bond unit per year.

*Revise 9.1.10 language to read: “The fee is payable two years following the Effective Date of the **Regulatory Agreement** ~~Loan Agreement~~ in advance in equal semi-annual installments for **the later of** the term of the regulatory period, or 55 years after the date on which at least fifty percent (50%) of the units in the project are first occupied.”*

- Base Issuance Fee on permanent loan amount. 25 basis points is high as project costs and bond amounts have increased substantially. Consider capping fees or sliding scale – Issuance Fee, Annual Monitoring Fee and \$100 per unit per year.

The Issuance Fee is cost recovery for SHRA. Reducing this amount would jeopardize SHRA's ability to underwrite projects. This Fee covers staff time for underwriting, staff reports, legal document preparation, environmental review, construction management oversight, relocation plan review, and the Agency clerk, among others.

- Annual Monitoring Fee should be based on the amount of the permanent loan rather than the construction loan.

The Annual Monitoring Fee is cost recovery for SHRA. SHRA monitors regulated units and files on an annual basis. Staff is required to review monthly bond and resident services reporting. SHRA submits reports to CDLAC annually. Staff also reviews and approves property management company and ownership changes. Staff completes physical and file reviews for eligibility and documentation for both bond and non-bond funded units.

Properties are required to provide annual audited financial statements that are reviewed by staff.

- Application fees should be credited against the Issuance Fee for bond projects

These fees serve separate purposes. The Application Fee covers the staff time in reviewing the full application and ensuring its completeness. The Issuance Fee covers staff time in preparation for the bond issuance and/or loan, which is detailed in the response to the first comment in this Section.

- If making a subordinate loan and issuing bonds, isn't charging interest and requiring bond fees duplicative?

SHRA financing and bond financing have separate requirements, separate legal documents and Regulatory Agreements. Interest on a loan does not cover staff time for monitoring or preparing documents for a bond issuance.

Loan commitment terms (Section 2.16)

2.16. Loan commitment terms. The conditional loan commitment will expire 12 months after its execution. Under limited circumstances, up to 18 months may be allowed to accommodate other competitive funding applications. Such modification of the loan commitment term will be approved on an individual project basis.

- The standard commitment term should be extended to 24 months, with two 6-month options to extend based on evaluating the prospects for closing within those time frames.

Due to Federal regulations, SHRA must commit funds in a timely manner and cannot accommodate extended commitment terms.

HUD-subsidized projects (Section 3.11)

3.11 HUD-subsidized projects. Purchasers of HUD developments with expiring project-based vouchers ("opt-outs" or HUD preservation projects) will be required to continue to renew project-based assistance.

- Revise to clarify that requirement applies to expiring HUD project-based Section 8 contracts and HUD below market subsidized mortgages as project-based vouchers are different than the programs at risk for "opt-outs"

*Amend language to read: "Purchasers of HUD developments with expiring **Housing Assistance Payment (HAP) contracts** or project-based vouchers ("opt-outs" or HUD preservation projects) will be required to continue to renew project-based assistance."*

Threshold Requirements (Section 4)

Administrative Requirements

*Amend language to read: "~~Administrative~~ **General Requirements**"*

Affordability (Section 4.1)

4.1. Affordability. All projects assisted by SHRA must include at least 20 percent of its units affordable to and occupied by very low-income households (those earning less than 50 percent of the Area Median Income, as determined by HUD). At least 5 percent of a project's units must be affordable to and occupied by extremely low-income households (those earning less than 30 percent of the Area Median Income), based on financial feasibility.

- Requiring 5% of the units to be ELI decreases project feasibility and lowers the number of units SHRA can assist. If the project becomes infeasible due to this requirement, then it should revert to the 20% of units at or below 50% AMI.

The existing language states that should the 5% requirement at 30% AMI be financially infeasible, the requirement would default to 20% at 50% AMI.

- What is the method and what are the metrics to determine whether a project is financially infeasible? Define.

A project is financially infeasible if it does not meet the SHRA Loan Terms and Conditions of Section 2 of these Policies.

- How would this work with inclusionary projects that do not have an ELI requirement?

Residential projects in both the City and County are now subject to the Mixed Income Housing Ordinance (City) or the Affordable Housing Ordinance (County). In neither case are there "inclusionary projects with ELI requirements."

Financing eligibility (Section 4.2)

Add new section and language to read: "4.2 Financing eligibility. Gap financing is provided for eligible projects that utilize mortgage revenue bond, Low Income Housing Tax Credit and other such programs. Projects with mortgage revenue bond financing shall only be eligible for gap financing if the City or County Housing Authority act as the bond issuer."

Unit distribution (Section 4.3)

4.3 Unit distribution. Assisted units must be spread proportionately across all unit types and sizes. The set-aside units must proportionately reflect the mix of all units in the project, be distributed throughout the project and have the same floor area, amenities, and access to project facilities as market-rate units. The objective of the program is to provide a set-aside of units with lower rents, not to create special "low-income sections" within larger developments.

- Adjust for mixed-income projects to not hurt project feasibility.

No change recommended.

Site and building design (Section 4.14)

4.14. Site and building design. All projects may be subject to architectural review and developers may be required to provide renderings of the project with their application. New construction projects may not consist of more than 200 units.

- Adjust the requirement that new construction projects may not consist of more than 200 units for urban areas, as higher density is needed to reach housing requirements and make projects feasible. 200 unit cap should be for affordable/restricted units.

No change recommended.

Resident services and community space (Section 4.15)

4.15. Resident services and community space. All properties, regardless of project type (i.e. senior, family, or large family), must devote a minimum of 1,200 s.f. to actual resident services/community space.

Common kitchens are required in resident services/community space, including refrigerator, stove, garbage disposal, and dishwasher.

- Minimum of 1,200 square feet for resident services/community space is excessive – how does this work with mixed-income projects? Why require full kitchens in community space?

Resident services space and kitchens are required for all projects, including mixed-income. No change recommended.

Playground equipment (Section 4.16)

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

- Define family project.

Family projects are those which are not special needs or senior.

- Two play structures for 100 units is excessive and expensive, difficult to accomplish in urban projects.

No change recommended. Exceptions may be considered for urban projects.

Security equipment (Section 4.18)

4.18. Security equipment. The project must have adequate exterior security lights and security cameras as determined by SHRA. Cameras must cover all points of access and all stairways. The project's construction and operating budgets must include funds for the installation and operation of all security equipment. All projects are required to have operating security gates and fences to maintain a secure perimeter.

- Define all stairways – does this include building stairways in a walkup project? If so, excessive and intrusive to tenants.

*Amend language to read: "Cameras must cover all points of access and all **enclosed** stairways."*

- Why is fencing required at all properties?

Fencing allows the property manager to monitor ingress and egress.

Sustainability standards (Section 4.19)

4.19 Sustainability standards. All projects are subject to the requirements of the State of California’s CalGreen code and Title 24 for energy conservation measures. In addition, new construction projects applying for 9% tax credits must maximize their sustainability points. Projects applying for non-competitive tax credits must meet the minimum point requirements for sustainability as required by TCAC.

- Clarify the minimum point requirement in noncompetitive projects. California energy code is very strict. Should just meet code as very costly to exceed.

Strike sentence: “~~Projects applying for non-competitive tax credits must meet the minimum point requirements for sustainability as required by TCAC.~~”

Property Management Experience (Section 4.20)

4.20. Property management. All projects must include on-site management staff during normal business hours, and projects over 50 units must include live-in on-site professional management.

4.20.1. Qualifications. Qualifications of the management entity must be submitted with the application, and must demonstrate experience in the management of affordable rental housing projects. The proposed management firm, or a principal in the firm, is required to submit evidence of successfully managing at least five projects over 40 units in size and subject to a recorded regulatory agreement for at least three years prior to the application. SHRA requires that management firms have experience managing at least one project within the Sacramento Area Council of Governments’ six-county Sacramento region and that all management agents have a dedicated compliance officer and experience with layered subsidy financing (for projects receiving gap financing).

- SHRA should consider expanding the Sacramento Area Council of Governments (SACOG) proposed region to a larger area.

The SACOG region ensures regional oversight of onsite property management staff. No change recommended.

- What is a dedicated compliance officer?

A dedicated compliance officer is an individual employed by the management agent whose responsibility it is to oversee regulatory compliance.

- Explicitly state that leases for all SHRA-financed properties must comply with 24 CFR 92.253 and may only be terminated or not renewed for good cause as defined in 24 CFR 92.253; or state that all developers must comply with the requirements of Exhibit 3 to make clear that the requirements in Exhibit 3 are mandatory.

The requirements at 24 CFR 92.253 are for HOME-financed projects only. SHRA complies with and enforces federal, state and local laws, regulations, rules and policies regarding landlord-tenant relations and tenant protections, including any and all additional tenant

protections associated with the funding sources used on a particular project. Nearly all projects have multiple funding sources and the most restrictive laws, rules and policies always apply. This means that where tenant protections are concerned, the strongest tenant protections required by laws, regulations, rules and policies are applicable.

Security patrols (Section 4.21)

4.21. Security patrols. All projects with 100 or more units are required to provide security patrols according to an approved security plan. Security must be provided by an experienced, professional security patrol with significant, local residential experience.

- Security provisions should be decided on an individual project basis. Allow owner to negotiate with SHRA. Security patrol is a costly expense, and often not effective in a downtown, urban environment.

Security patrols are critical to property management. It is essential that SHRA establish clear standards. No change recommended.

Smoke free (Section 4.22)

4.22. Smoke-free environment. 100% of the buildings and units must be smoke free. In addition all indoor common areas must be smoke-free. Clearly-marked designated smoking areas must be provided.

- SHRA should establish explicit policy regarding how rehabilitation projects and existing tenants will be treated. Include clear process to grandfather tenants in to avoid eviction for violations of the policy.

No change recommended.

- Language allowing exceptions for permanent supportive housing.

*Amend language to read: "100% of the buildings and units must be smoke free. In addition all indoor common areas must be smoke-free. Clearly-marked designated smoking areas must be provided. **Exceptions may be given to supportive services developments.**"*

- In an urban setting, projects should not be required to provide designated smoking areas

No change recommended.

Resident services (Section 4.23)

4.23. Resident services and budget. SHRA requires resident services and on-site community space for residents in all projects, and reserves the right to approve or disapprove the resident services provider. Resident services must be described in a preliminary plan attached to the application and be appropriate for the anticipated population. The firm providing resident services must be identified with a letter of intent which indicates a specific commitment to provide the services, including the number of hours and budget. Funding for a resident services coordinator should be included in the project's operating budget. The executed funding

agreement between the resident services provider and the applicant must be submitted. See Exhibit 3, Management Agent & Resident Services Provider Checklist for further detail.

The minimum requirements for resident services are as follows:

Family Developments - Required Hours per Week	50-100 units	100-200 units
Coordinator On-Site Admin*	4	6
After School Programming 2 hours/day x 4 days/week	8	8
Additional Programming	3	6
TOTAL Hours per Week	15	20

Senior Developments - Required Hours per Week	50-100 units	100-200 units
Coordinator On-Site Admin*	4	6
Senior Programming	11	14
TOTAL Hours per Week	15	20

*Note: The Coordinator On-Site Admin hours listed are the maximum hours allowable per week. Coordinator On-Site Admin hours may be used for counseling, planning, preparation, compliance reporting and other administrative activities as necessary. The Coordinator must be available on-site during this time for residents as needed.

Resident services requirements for projects of less than 50 units or more than 200 units will be determined on a project specific basis. Dependent on housing type, resident services shall be provided by an appropriate accredited provider, as determined to be appropriate by SHRA.

4.23.2 Mixed-Income. For projects that include market-rate units, the number of resident services hours required will be determined based on the number of affordable units and the services required will be based on the needs of the low-income residents.

- Requirements for resident services do not fit into an 80/20 mixed-income project that is mostly market rate.

Existing language addresses this: “For projects that include market-rate units, the number of resident services hours required will be determined based on the number of affordable units and the services required will be based on the needs of the low-income residents.”

- Proposes services are to be provided by an accredited provider. Who provides the accreditation?

*Amend language to read: “Dependent on housing type, resident services shall be provided by an **appropriate accredited SHRA approved provider, as determined to be appropriate by SHRA.**”*

Regulatory agreement violations (Section 4.24.4)

4.24.4. Regulatory agreement violations. Compliance Violations and Actions and HUD Property Standards (Exhibit 5) shall be included in the SHRA loan and bond Regulatory Agreements recorded on the property. SHRA shall have the right to enforce the actions detailed in Exhibit 5 and/or pursue any other legal remedy available to fully enforce all provisions of the Regulatory

Agreements. The Borrower shall pay to the Lender/Issuer the additional program compliance fees and expenses set forth in Exhibit 5 in reimbursement of the amounts and time expended by the Lender/Issuer to insure Borrower's compliance with State statutes and federal regulations and Borrower's obligations under the Regulatory Agreements as a result of the Borrower not meeting its obligations and reporting requirements.

No compliance fee will be assessed provided the violation is corrected within the specified corrective time period.

- Where is the "specified corrective time period" defined?

*Amend language to read: "No compliance fee will be assessed provided the violation is corrected within the specified corrective time period **as defined in Exhibit 5.**"*

Appraisal (Section 5.1)

5.1. Appraisal. All appraisers must be state-certified MAI appraisers who do not have an identity of interest with any member of the development team or sponsor. Appraisals must be prepared no earlier than six months prior to the date of the land or building's purchase contract, or if land or buildings have not been purchased, no earlier than six months prior to the SHRA application date. Appraisals prepared for the project's lender(s) may be accepted with SHRA's approval.

- Requiring an appraisal at application increases cost as a separate application will need to be done. Revert to existing language.

SHRA requires an appraisal to complete its underwriting to determine a project's financial feasibility.

Landscape plan (Section 5.10)

5.10. Landscape plan. A landscape plan prepared by a licensed, third party professional shall be required for all projects.

- SHRA should incorporate sustainability language.

SHRA's Minimum Construction Standards require a sustainable design appropriate for the Sacramento Valley.

Relocation (Section 5.11)

5.11. Relocation. A relocation plan shall be submitted for any project that contains persons residing within the project at the time of the project application to SHRA, and is subject to review by SHRA, the City and County. The components of the relocation plan shall be determined by the funding source for the project, and whether relocation will be temporary, permanent, or both. Plans shall be completed and carried out by a qualified third party in accordance with all state and/or federal relocation requirements associated with the funding source, unless an in-house relocation expert is approved by SHRA. SHRA does not permit keeping income-restricted units vacant to accommodate on-site relocation at any time prior to closing and commencement of construction.

- SHRA should reconsider the policy that owners not be allowed to hold units vacant for on-site relocation

*Revise language to read: "SHRA does not permit keeping income-restricted units vacant to accommodate on-site relocation at any time prior to **reservation of tax credits, per TCAC guidance closing and commencement of construction.**"*

5.11.2 A relocation plan must be prepared prior to submission of the full application by a qualified third party. SHRA discourages projects where more than 20 percent of residents will be permanently relocated (except in instances of overcrowding).

- Discourages projects where more than 20% of residents are permanently relocated – should rephrase to read "20% of residents in restricted units" as some residents in market rate or unrestricted units may be permanently relocated.

No change recommended.

5.11.3 Implementation of relocation plans shall be overseen by a professional relocation specialist as approved by SHRA.

- Better define "professional relocation specialist." Why require relocation plan to be overseen by a professional? Increases costs.

Amend language to read: "Implementation of relocation plans shall be overseen by a ~~professional~~ relocation specialist ~~as approved by SHRA.~~"

Calculation of Restricted Units

- **At least 20 percent of the units must be rented to and occupied by very low-income households and 5 percent of the units must be rented to and occupied by extremely low-income households, regardless of the funding source**

*Amend language to read: "At least 20 percent of the units must be rented to and occupied by very low income households and 5 percent of the units must be rented to and occupied by extremely low-income households **based on financial feasibility**, regardless of the funding source."*

Private Placement (Section 9.1.5)

9.1.5. Private Placement. The rating requirement in Section 9.1.4 is waived if the entire bond issue is privately placed with accredited investors (as defined by the Securities and Exchange Commission Regulation D) or "Qualified Institutions" (as defined by the Securities and Exchange Commission) who would be required to sign an investor letter ("Investor Letter") certifying the investor's sophistication to understand the risk associated with the purchase of the debt instrument and restricting transfer of the bond issue to other accredited or qualified investors in denominations of \$250,000 and greater. While the note remains unrated, its transferability will be restricted to accredited or qualified investors who sign an Investor Letter and who would represent to the Agency SHRA that they are accredited investors or Qualified Institutions, are buying for investment and not for resale, and have made due investigation of the information they would deem material in connection with the purchase of the bonds.

*Amend language to read: "The rating requirement in Section 9.1.4 is waived if the entire bond issue is privately placed with "accredited investors" (as **generally defined under Regulation D of the Securities Act of 1933 by the Securities and Exchange Commission Regulation D**) or "**Qualified Institutions institutional buyers**" (as defined*

under Rule 144A of the Securities Act of 1933 by the ~~Securities and Exchange Commission~~) who would be required to sign an investor letter (“Investor Letter”) certifying the investor's sophistication to understand the risk associated with the purchase of the debt instrument and restricting transfer of the bond issue to other accredited **investors or qualified investors in denominations of \$250,000 and greater. While the note remains unrated, its transferability will be restricted to accredited or qualified **investors** **institutional buyers** who sign an Investor Letter and who would represent to the Agency SHRA that they are accredited investors or ~~Qualified~~ **qualified institutional buyers** **Institutions**, are buying for investment and not for resale, and have made due investigation of the information they would deem material in connection with the purchase of the bonds.”**

Other Issuers (Section 9.4.8)

9.4.8. Other issuers. SHRA will not hold TEFRA for any bond-financed projects for which SHRA is not the issuer. SHRA will only provide gap financing on bond-financed projects where SHRA is the issuer.

All SHRA affordability requirements, procedures and requirements will apply to projects using other issuers, including an issuance fee of 0.25 percent of the bond issuance amount to be paid to SHRA upon issuance of the bonds, and an Annual Administration Fee (Section 9.1.10) if SHRA monitors compliance with the regulatory restrictions on the project. Other issuers must demonstrate that they have conducted proper due diligence of the developer and project comparable to SHRA’s process. A City Council/Board of Supervisors TEFRA hearing and notice, as described in Section 9.4.3, by the City Council/Board of Supervisors on behalf of another issuer will include a provision that the owner, operator or manager of the project considered for financing by tax-exempt debt will not change without the prior approval of SHRA’s Executive Director.

- SHRA should consider allowing other bond issuers in cases where doing so leverages more private and non-local gap funds, reducing the gap request to SHRA. This proposal would limit projects accessing the most competitive financing, and fewer projects would be financed.

For jurisdictions with the capacity for the underwriting and monitoring associated with issuing mortgage revenue bonds, such as SHRA, the local control associated with bond issuance is critical. Local control of the bond issuance process provides the authority to underwrite to local criteria that may include incorporating construction standards, approving experienced management agents, and requiring resident services. The long-term relationships established between property owners and our jurisdiction through bond issuance provides us with leverage to monitor properties to ensure they are well maintained and managed community assets.

Revise language to read: “SHRA will not ~~approve~~ **hold local Tax Equity and Fiscal Responsibility Act (TEFRA) hearings for ~~any~~ bond-financed projects for which SHRA is not the issuer. ~~SHRA will only provide gap financing on bond-financed projects where SHRA is the issuer.~~”**

Strike language: “~~All SHRA affordability requirements, procedures and requirements will apply to projects using other issuers, including an issuance fee of 0.25 percent of the bond issuance amount to be paid to SHRA upon issuance of the bonds, and an Annual Administration Fee (Section 9.1.10) if SHRA monitors compliance with~~

~~the regulatory restrictions on the project. Other issuers must demonstrate that they have conducted proper due diligence of the developer and project comparable to SHRA's process. A City Council/Board of Supervisors TEFRA hearing and notice, as described in Section 9.4.3, by the City Council/Board of Supervisors on behalf of another issuer will include a provision that the owner, operator or manager of the project considered for financing by tax-exempt debt will not change without the prior approval of SHRA's Executive Director."~~

Add language to read: "If a developer requests a public sector permanent lender who requires interest rate lock prior to construction loan closing, SHRA will require that lender a condition of its bond issuance."

Conflicts of interest (Section 10.3)

10.3 Conflicts of interest. Upon submission of a full application, SHRA will become the main point of contact for the project. Conferring with elected officials with oversight will be viewed as a conflict of interest. Applicants will be required to sign a form acknowledging this requirement.

- SHRA should be more explicit regarding timeframe for restriction in contacting elected officials. SHRA should address how applicants can appeal or file a grievance if they cannot contact elected officials
- Concerned about any language that would limit developers' ability to communicate with their elected officials.

Revise language to read: "~~Conflicts of interest. Upon submission of a full application, SHRA will become the main point of contact for the project. Conferring with elected officials with oversight will be viewed as a conflict of interest. Applicants will be required to sign a form acknowledging this requirement.~~

Communication with Governing Bodies.

Once a full application has been submitted and accepted, the applicant, including their team members, may not contact members of the Sacramento City Council, City Staff, Board of Supervisors, County staff, Housing Authority Boards, SHRA Commissioners or consultants retained by SHRA regarding the application. SHRA staff may invite the applicant to meet with those listed above as part of the review process. Once underwriting is complete and staff recommendation for financing is finalized, the applicant is free to contact the above listed individuals or groups."

Minimum Construction Standards (Exhibit 2)

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

- Building envelope: many experts do not recommend elastomeric paint as it seals the building and can create moisture issues

Only hairline cracks must be sealed and painted with elastomeric paint. Elastomeric paint keeps water out more effectively than other paints.

A. Retrofit windows are not acceptable. Any windows showing signs of condensation or leakage of any kind shall be replaced.

- Door and windows: explain why retrofit windows are not acceptable.

Retrofit windows develop leaks and result in water damage when not installed properly.

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

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

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

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

- The required products/materials for cabinet boxes, countertops, face frames, doors, drawers and flooring are expensive, luxury products and are too prescriptive.

These requirements ensure quality and sustained useful life. No change recommended.

A. Laundry facilities must be provided on the basis of one washer and dryer for every ten dwelling units, consistent with TCAC requirements (as apply to the project). Ten percent of the total number of washer/dryers must be ADA-accessible machines (unless the ADA units contain their own laundry facilities). Solid surface countertops will be required within laundry rooms and countertops shall meet all ADA requirements.

- Why solid surface countertops in laundry rooms? TCAC only requires washer/dryer in 9% projects - are you proposing all projects meet this requirement?

The goal in laundry rooms is for the counters to be durable and water resistant.

Amend language to read: "Laundry facilities must be provided on the basis of one washer and dryer for every ten dwelling units, ~~consistent with TCAC requirements (as apply to the project).~~"