



**CORVIN APARTMENTS
City of Santa Clara Term-sheet
CONSTRUCTION AND PERMANENT LOAN**

Date: February 19, 2019

1. **PROPERTY AND PLANNED IMPROVEMENTS:** Corvin Apartments, an affordable rental residential development, is to be constructed on a 1.08-acre site at 2904 Corvin Drive, Santa Clara, APN: 216-33-034 (“Site”). The development will contain 145 units consisting of 80 units for formerly chronically homeless residents with income levels at or below 30% of Area Median Income (“AMI”), 64 units for residents with income levels at or below 60% AMI, and 1 unrestricted two-bedroom manager’s unit (collectively, “Project”). All of the units will be 285 square foot studios with the exception of a 990-square foot two-bedroom manager unit. The building will include a community room, service offices, a computer room, onsite laundry, and a full array of Resident and Supportive Services for the community will be provided by Abode Services (“Development”).

The site is located within the Lawrence Station Area Plan and has all zoning and general plan designations required for the development of a high density residential project as proposed. The building will be four stories of Type IIIA construction over one story of Type I construction and will have a total of 65 surface parking stalls. The net rentable square footage of the building is approximately 39,465 SF.

2. **BORROWER:** Allied 2904 Corvin, LP, a California limited partnership.
3. **DEVELOPER:** Allied Housing
4. **PROPERTY MANAGER:** The John Stewart Company
5. **SERVICE PROVIDER:** Abode Services
6. **PURPOSE OF FUNDING:** Construction and permanent financing.
7. **LOAN/PURCHASE AMOUNT:** Up to \$5,000,000, subject to underwriting acceptable to the City of Santa Clara (“City”).
8. **COUNTY MEASURE A FUNDS:** The County has approved up to \$29,000,000, subject to underwriting acceptable to the County of Santa Clara (“County”), with a maximum of \$10,000,000 allocated to the County’s acquisition of the Site (“Land Acquisition”), a

maximum of \$965,796 allocated to financing predevelopment costs (“Predevelopment Loan”) and a maximum of \$18,034,204 allocated to construction and permanent financing (“Construction/Permanent Loan”). The City’s loan is contingent on the County’s loan prior to the closing of financing for the Construction/Permanent Loan (currently estimated to be approximately October, 2019).

9. PROJECT-BASED VOUCHERS: The Project has secured 80 Project-Based Housing Vouchers from the Santa Clara County Housing Authority (“SCCHA”). The vouchers require that these 80 units be used for permanent supportive housing for households experiencing homelessness. An Agreement to enter into a Housing Assistance Payment (“AHAP”) contract acceptable to the County shall be provided prior to the closing of financing for the Construction/Permanent Loan (currently estimated to be approximately October, 2019).
10. TERM OF LOAN: The Construction/Permanent Loan shall have a term of fifty-five years from the date the Project receives its certificate of occupancy (or equivalent).
11. AFFORDABLE HOUSING AGREEMENT: The Borrower shall enter into an Affordable Housing Agreement with the City that runs coterminous with the loan, fifty-five years from the date the Project receives its certificate of occupancy (or equivalent).
12. INTEREST RATE: Construction/Permanent Loan - 3% simple interest per year.
13. PAYMENTS: Principal and interest are due in full upon the maturity date. The Construction/Permanent Loan shall be repaid on a residual receipts basis, with the City receiving a pro-rata share of the net cash flow of the Project. “Net cash flow” shall mean the operating revenues less eligible operating expenses, including but not limited to, the deferred development fee and L.P. and G.P. management fees, and as further specified in the loan documents.
14. COLLATERAL/DOCUMENTATION:
The Construction/Permanent Loan shall be secured by a subordinate deed of trust on the Site and a subordinate collateral assignment of contracts, plans, and specifications. The City’s affordability restrictions shall be recorded against the Site, subject only to those encumbrances permitted by the City. The Construction/Permanent Loan will be evidenced by a loan agreement and such other documentation as required by the City.
15. AFFORDABILITY RESTRICTIONS: The City’s affordability restrictions (“Affordable Housing Agreement”) shall restrict 80 non-manager units to households with income levels at or below 30% AMI and 64 non-manager units to households with income levels at or below 60% AMI, and such other restrictions consistent with the Permitted Measure A Housing Bond Uses and the County’s Supportive Housing Development Program Notice of Funding Available (NOFA) requirements.

16. OTHER LENDERS: Construction, permanent and other soft lender loans shall be secured against the leasehold interest in the land and fee interest in the improvements.
17. SUBORDINATION: The City shall subordinate the lien of its Construction/Permanent Loan deed of trust to the lien of a senior construction/permanent loan lender deed of trust, or to such other senior lender approved by the City, subject to a subordination agreement in form and content acceptable to the City.
18. COUNTY DIRECT REFERRAL PROGRAM: The 80 non-manager units restricted to households with income levels at or below 30% AMI shall be rented to households referred through the County of Santa Clara's Coordinated Entry System or such other equivalent County direct referral program, which referral program has been approved by SCCHA pursuant to an MOU between SCCHA and the County.
19. PROPERTY OWNERSHIP AND GROUND LEASE: Immediately prior to the closing of the Construction/Permanent Loan, subject to Board approval, the County shall acquire the Site from the Borrower for \$9,500,000.00, which amount is the estimated Seller's cost of acquiring the land ("Land Acquisition Price"). Immediately upon closing on the Land Acquisition, the County shall ground lease the property to the Borrower for \$1 per year for a term of 99 years.
20. PROJECT FINANCING: As a condition of the Construction/Permanent Loan, during the predevelopment period, Borrower shall seek other construction and permanent funding including federal tax credit equity, certificated State tax credit equity, commercial construction and permanent loans, and a Project-based Section 8 conditional commitment.
21. DEVELOPMENT PRO FORMA: Borrower shall submit for City approval an acquisition and construction/permanent financial pro forma (the "Pro forma") reflecting Borrower's projections of tax credit equity, estimated income and operating expense cash flow for the Project and Development, and loan balances for 55 years to City's satisfaction.
22. DEVELOPER FEE: Pursuant to the California Code of Regulations Section 10327(c)(2)(B) (TCAC regulations) on developer fees, the maximum developer fee shall be 15% of the Project's unadjusted eligible basis, with the maximum cash portion of the development fee equal to or less than \$2,500,000, payable as follows: 25% at construction start; 25% during construction and 50% at conversion. Any portion of the developer fee in excess of \$2,500,000 shall be deferred and repayable out of the sponsor's share of the residual receipts of the Project, with a maximum pay-off period of 15 years from the closing of the Construction/Permanent Loan. No interest is allowed on the deferred fee.
23. DUE DILIGENCE: Borrower shall provide all reports, studies, approvals, plans, drawings and other due diligence documents, in form and content acceptable to City, as

reasonably requested by the City, including without limitation, an appraisal, a Phase I report, an ALTA survey, and preliminary title reports for the Site.

24. NEPA: Borrower shall submit a confirmation to City's satisfaction that a NEPA study has been completed and an Authority to Use Grant Funds ("AUGF") has been issued. No site work or construction shall commence prior to the issuance of the AUGF.
25. PREVAILING WAGE REQUIREMENTS: Borrower shall pay, or cause to be paid, prevailing wages for the construction and demolition work as required by state and federal prevailing wage laws, including without limitation, the California Labor Code and the Davis-Bacon Act. If the Project is not otherwise subject to state and federal prevailing wage laws, it is the policy of the Office of the Supportive Housing that Borrower shall pay, or cause to be paid, wage rates equivalent to the California prevailing wage.
26. INSURANCE: Borrower shall procure and maintain insurance in form and amount approved by the City's requirements
27. GOOD NEIGHBOR PRACTICES: Borrower will work in collaboration with the City to address concerns and issues the community identified while simultaneously making the City aware of any such issues.
28. EXPIRATION: The City's term sheet shall expire by December 1, 2019, or sooner if City determines in its sole and absolute discretion that the Project is not making substantial progress towards the commencement of construction.

Exhibit A

TENTATIVE WORK PLAN

CITY

- Finalize environmental documentation required by the California Environmental Quality Act (“CEQA”);
- Provide confirmation of all applicable City fees and waivers, including parks fees;
- Arrange meetings for the negotiation of the Loan Agreement;
- Provide City financing documentation for public finance applications; and
- Other tasks as appropriate to meet project goals.

DEVELOPER

- Prepare detailed Schedule of Performance for the Project and key partners;
- Submit a detailed pro forma and discuss and evaluate the financial and operational components, including any requirements pertaining to the applicability of any prevailing wage requirements;
- Provide the City with organizational documents as well as an organization chart outlining key personnel’s roles and responsibilities;
- Preliminary Assessment of traffic and parking issues/constraints that may affect site development;
- Assessment of major public and private utility capacities and connections for providing service to the Project;
- Assessment of site drainage and waterway issues that may affect site development;
- Determine form of payments for the City’s financial benefits from the Project;
- Identify key stakeholders; Conduct and document Project Community Meetings for public input on site design and operations;
- Review of any site easements or other use restrictions that may affect site development;
- Process planning applications and obtain Planning and Development permits and tentative map;
- Create Construction drawings;
- Pursue necessary financing commitments; and
- Other tasks as appropriate to meet project goals.