



ADMINISTRATIVE SERVICES DEPARTMENT

Council Meeting Date: January 14, 2014
Staff Report #: 14-005

Agenda Item #: F-1

REGULAR BUSINESS: **Adopt a Resolution and Authorize a Loan to CORE Housing for up to \$2.86 million for Affordable Housing at 605 Willow Road**

RECOMMENDATION

Staff recommends City Council adopt a Resolution (with attached Term Sheet) and a Commitment Letter to the California Tax Credit Allocation Committee affirming the City's financial commitment to CORE Housing for a loan of up to \$2.86 million for 60 units of affordable housing.

BACKGROUND

CORE Affordable Housing (CORE) or an affiliated entity, is proposing a 60-unit, 100% affordable housing development on the Veteran's Administration Campus. The proposed development site is approximately 2 acres near the intersection of South Perimeter Road and Willow Road with a proposed address of 605 Willow Road. The housing development is being pursued through a Federal program to end homelessness for Veterans. The development would be two stories and would be comprised of 54 studios and 6 one-bedroom units. The site was identified as a high-density housing opportunity site in the City's recently adopted Housing Element of the General Plan. Given that the development is on Federal land, the development is not subject to the City's land use zoning requirements.

CORE Housing anticipates that a large part of the overall funding for the units will come from the contribution of land from the Veterans Affairs (VA) and Tax Credits from the Tax Credit Allocation Committee in the first round in 2014. CORE Housing has also requested funds from the County of San Mateo of \$800,000 in HOME funding and \$1.4 million in Affordable Housing Funds (which are comprised of one-time monies attributable to the dissolution of Redevelopment Agencies). San Mateo County has made it a policy to reinvest the one-time funding into the housing projects in the City from which the funds originated.

In order to achieve affordability of the units, CORE is requesting a loan from the City's Below Market Rate (BMR) housing fund of up to \$3.5 million as part of the development project. In addition, CORE is requesting a waiver of City fees.

Previously, the City Council conceptually approved \$2.5 million dollars for the CORE Housing from the Below Market Rate fund (BMR) in May 2013. Subsequent to the City Council's action, the cost of the project increased, followed by a request from CORE Housing for an additional \$1 million in funds up to a total of \$3.5 million. This item is before the City Council to finalize the commitment of the requested BMR funds, respond to the request for additional funds, and respond to the request for fee and in-lieu fee waivers. An updated proposal from CORE Housing (or Willow Housing LP which serves as an affiliated entity) is provided as Attachment A.

ANALYSIS

Overall, the project appears financially feasible and generally cost-effective. This is a meritorious project, particularly because of the VA's willingness to make the site available at basically no cost. In addition, providing permanent supportive housing to homeless and at-risk adults, particularly veterans, meets a pressing and long-term need.

At the time the Project was initially presented to the County and to the City, CORE indicated their financing pro forma demonstrated adequate funds to cover anticipated costs. The most recent proposal from CORE Housing (or its' affiliated entity) is provided as Attachment A.

However, since the Council's initial commitment, CORE Housing indicates the funding gap has grown to approximately \$2 million, and is now requesting additional funding up to a total of \$3.5 million plus a waiver of impact and building fees. CORE Housing also requested additional funding from the County of San Mateo.

Subsequent to receiving CORE's request, City staff met with a representative from San Mateo County Department of Housing. The County had previously committed \$800,000 but is now recommending an additional \$1.4 million from its Affordable Housing Fund, for a total of \$2.2 million, which leaves an estimated gap of \$.6 million. The County Board of Supervisors will make their funding decision in late January.

This remaining funding gap is closed if CORE Housing limits their Developer Fee to \$1.4 million and the City agrees to offset any City fees. Staff recommends against waiving any applicable fees, but instead increasing the funding from the BMR Fund to pay applicable City fees. CORE has developed an estimate of \$360,000 for the fees including impact fees, water connection fees, engineering fees and/or any other fees that are required by the City. The total loan would be \$2.5 million for housing and up to \$2.86 million to offset required City fees as discussed above.

Therefore, staff recommends increasing the original commitment of \$2.5 up to \$2.86 million, contingent upon:

- (1) Limiting the Developer fee to \$1.4 million dollars which is the maximum allowed by the Tax Credit Allocation Committee; and

- (2) Encouraging CORE Housing to seek funds from other sources such as the VA; and
- (3) Future verification of construction cost reasonableness by a third party; and
- (4) Submittal of all subcontractors' bids for review and availability to answer questions; and
- (5) Provision of general statistics on Low Income Housing Tax Credit projects for comparison to the CORE Housing project to demonstrate market comparability; and
- (7) Partnering with the County by mirroring the loan requirements for their individual loans for administrative ease and consistency.

In summary, staff believes this to be a viable and valuable housing opportunity for the City and an appropriate use of BMR funds. The authorizing Resolution is provided as Attachment B with the Loan Term Sheet attached. Also attached is the draft letter to the California Tax Allocation Committee advising them of the City's financial commitment.

IMPACT ON CITY RESOURCES

The Public Funding Award letter (attached) commits \$2.5 million in BMR funds to the CORE Housing project. There are sufficient funds available for this project in the BMR fund. Additional funds may be needed to complete the project, but staff is encouraging CORE Housing to explore sources other than the City BMR funds.

CORE Housing is also requesting additional funding to offset any City fees. If impact fees, water connection fees and/or engineering fees are applicable, staff recommends Council authorize staff to offset the cost of these fees by increasing the amount of the loan from the BMR fund in an equal amount to the fees, not to exceed \$360,000.

POLICY ISSUES

The proposed housing is consistent with the City's Council commitment to CORE Housing in May 2013. The proposed purpose of the affordable housing development is consistent with the proposed uses in the BMR Guidelines.

ENVIRONMENTAL REVIEW

On May 21, 2013, the City Council adopted the Environmental Assessment (EA) prepared for the Housing Element. The EA analyzed the project site as a potential location for higher density, low income housing. Therefore, the environmental impacts of this project were reviewed in the EA, which is the equivalent of a Draft Environmental Impact Report (EIR). The project is also the subject of an Environmental Impact Assessment (EIS) under the National Environmental Policy Act, as the project is on federal land.

In light of the foregoing, the "common sense exemption" which indicates that the California Environmental Quality Act (CEQA) applies only to projects that have the potential for causing a significant effect on the environment applies. It can be seen with

certainty that there is no possibility that the approval of the loan for the development of the project will have a significant effect on the environment beyond what was analyzed in the EA. Therefore, the project is exempt from CEQA.

PUBLIC NOTICE

Public Notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting.

ATTACHMENTS

- A. Updated Proposal for Affordable Housing Development from CORE/Willow Housing LP
- B. Resolution with attached Term Sheet
- C. Commitment (Public Funding Award) Letter

Report prepared by:
Starla Jerome-Robinson
Assistant City Manager



January 7, 2014

Starla Jerome-Robinson
Assistant City Manager
701 Laurel Street, Menlo Park, CA 94025

Sent via email: srobinson@menlopark.org

RE: Updated (January 7, 2014) Revised Proposal for Affordable Housing

Dear Ms. Jerome-Robinson,

Thank you again for your time and interest in evaluating the proposed 60-unit very low-income housing development on the VA Palo Alto Healthcare System's Menlo Park Division property.

As discussed in prior correspondence, we have requested a residual receipts loan from the City of Menlo Park's Below Market Rate Fund, in the amount of \$3,500,000. The purpose of this letter is to provide updated information since the last proposal submitted to you on April 29, 2013. Additional information provided in this update includes:

- QUALIFICATIONS – Supplemental information regarding Core Affordable Housing's Qualifications;
- BUDGET - Detailed Project Budget and updated Per Unit Calculations;
- SITE DESIGN – Current Site Plan Drawings incorporating feedback by City and VA staff;
- CEQA - Summary of progress on the NEPA and CEQA Environmental Review; and
- TIMELINE – Proposed schedule of development.

Core and its non-profit partner EHC LifeBuilders are extremely dedicated to bringing this project to fruition, and committed to ensuring it is a property that City's staff and residents are proud to have in their community for years to come. Ultimately, the units can be a testament to the City's commitment to promoting housing for the array of income levels in its community. All 59 low-income units may be counted as evidence of the City's progress in its Regional Housing Needs Allocation (RHNA) – roughly 25% progress on the Very Low Income allotment of 233 units by 2022.

This project presents an extremely unique and valuable opportunity for the City. As you are aware, below-market-rate units at the deepest affordability levels are the most challenging to finance, and also the most critical among Bay Area housing needs. This project is

uniquely well-positioned given the exceptional public donation of land that could otherwise fetch an estimated \$13,200,000. To finance these units in any other location in Menlo Park would require that a similar level of subsidy for land acquisition.

Thank you again for your time and consideration. We look forward to continuing discussions to help bring this project to fruition.

Yours truly,

A handwritten signature in cursive script that reads "Darci Palmer".

Darci Palmer
Project Manager
Core Affordable Housing

408-292-7841 x42
dpalmer@thecorecompanies.com



Update to Revised Proposal for Affordable Housing Development

Location: 605 Willow Road, Menlo Park
(corner of Willow Road and South Perimeter)

Submitted to City of Menlo Park
Original Proposal: January 24, 2013
Updated Proposal: April 29, 2013

Current Update: January 7, 2014

Contact:
Darci Palmer
Core Affordable Housing
408-292-7841 x42
dpalmer@thecorecompanies.com

Core Affordable Housing Qualifications

The Core Companies ("Core") is a group of independent companies that includes an affordable housing development firm, a general contractor and a market-rate homes division. Core specializes in the development of medium and high-density infill projects. Core's reputation for reliability, accountability, integrity, and commitment to our residents and our funding partners is unsurpassed.

Core Affordable Housing, LLC, has developed 18 multifamily, affordable rental properties in the last 18 years, with 3 additional projects in the pipeline. Core remains intimately involved and committed to its properties throughout operations, acting as owner ensuring the properties' ongoing financial health, regulatory compliance, and physical maintenance. The company has extensive experience and expertise in the following areas:

- Land Assembly
- Selection of Consultants
- Site and Project Design
- Feasibility Analysis
- Process of Entitlements
- Construction Management
- Affordable Housing Finance
- Marketing and Lease Up

Though Core does have experience and expertise in asset management and property management, we do not manage our own rental communities "in house." We contract with reputable and qualified third party partners to manage our communities and provide services tailored to residents' needs. Examples of such third party property management and service providers include EAH Housing, Charities Housing, Related Companies, and EHC LifeBuilders.

Project Summary

The project is envisioned as a 60-unit permanent multifamily housing development on a 2.011 acre site located near Willow Road and South Perimeter Road in Menlo Park. Unit mix includes 54 studios and 6 one-bedroom units. Income mix is evenly distributed across unit types, and includes 7 units restricted to 30% Area Median Income (AMI) and 52 units restricted to 40% AMI. One unit is an "exempt" manager unit to be occupied by property staff. Unit mix and affordability are summarized in **Table 1: Affordability / Unit Mix**.

Income restrictions and rental rate restrictions would apply to all 59 low-income units, consistent with applicable Tax Credit regulatory agreements. Tenant applications will be reviewed in order of ranking, based on the requirements of the contributing funding agencies. The primary mission of the project, from inception, is to serve Veterans who are homeless or are at risk of homelessness. EHC LifeBuilders will provide in-house services to residents, tailored to individual needs, to promote health and self-sufficiency.

Table 1: Affordability / Unit Mix

| UNIT TYPE | AMI DESIGNATION | UNIT QUANTITY | MAXIMUM INCOME (2014) | SQUARE FOOTAGE | MAXIMUM RENT Net of Utility Expense (2014) |
|---|-----------------|---------------|-----------------------|----------------|--|
| Studio | 30% ELI | 6 | \$ 23,310 | 470+/- | \$554 |
| 1 Bedroom | 30% ELI | 1 | \$ 26,640 (2 persons) | 630 | \$584 |
| Studio | 40% VLI | 48 | \$ 31,080 | 470+/- | \$748 |
| 1 Bedroom | 40% VLI | 4 | \$ 35,520 (2 persons) | 630 | \$792 |
| 2 Bedroom | Live-In Staff | 1 | n/a | 690 | \$1,423 |
| Notes: | | | | | |
| <ul style="list-style-type: none"> • “AMI” stands for Area Median Income published annually by the California Tax Credit Allocation Committee. • “ELI” stands for Extremely Low Income defined as below 30% Area Median Income. • “VLI” stands for Very Low Income defined as below 50% Area Median Income | | | | | |

Development Budget

The project is estimated to cost approximately \$16,507,928 in hard and soft costs, excluding the value of the land contribution by the Department of Veterans Affairs. A complete project budget is provided in **Attachment A**. These costs translate to approximately \$275,000 per unit. Similar developments in the South Bay and West Bay Region have been estimated to cost between \$210,000 and \$320,000, excluding land, depending on design scrutiny, complexity of structural design, and amount of public review and impact fees. The recent increases in the project budget can be attributed to progress in understanding of site infrastructure and design requirements and recent inflation in construction costs as construction activity has increased drastically in recent months around the Bay Area. Construction costs are anticipated to inflate in the coming year.

According to a presentation by the California Tax Credit Allocation Committee (CTCAC) staff in 2011, tax credit developments in the South and West Bay Region are the most costly of all regions in the State, with a regional average cost of \$598,000 per unit for new construction in 2011, including land costs. CTCAC continues to research and collect public comments to identify the contributing factors of higher regional costs. Some reasons cited in public hearings include: (a) prevailing wage requirements, (b) local plan check and impact fees, (c) higher standards and costs for design and materials in high-cost regions, (d) higher construction costs in infill locations, (e) lenders’ underwriting requirements, (f) added cost of green building design, construction and certification, and (g) higher design costs associated with higher level of public scrutiny of low-income housing. All of these factors are applicable to the Willow Housing project.

Core's internal process of development includes commitment to reducing costs while delivering the highest quality of affordable housing. If the City is interested in further explanation of anticipated project costs, we are available to address specific questions.

Development Financing Sources

The land will be donated by the Department of Veteran's Affairs through a long-term ground lease. The "highest-and-best-use" value of the land is appraised at \$13,200,000 (See **Attachment B** for land appraisal summary). The project is estimated to generate approximately \$11,608,000 in Low Income Housing Tax Credit (LIHTC) equity, depending on pricing and tax rates at time of sale.

Core has secured predevelopment loans from HEART of San Mateo County and the Housing Trust of Silicon Valley in the amounts of \$700,000 and \$500,000 respectively. These funds are currently being used to develop building design, commission third party reports, pay financing and application fees, and secure a building permit. These funds will be repaid with permanent funding sources (i.e., tax credit equity, City loan, or County loan), at start of construction or at completion. Evidence of soft funding commitments from the City and the County helped significantly in securing these predevelopment loans.

In June of 2013, the County's Housing & Community Development Committee (HCDC) awarded \$375,000 to Willow Housing. In December 2013, HCDC awarded additional Affordable Housing Fund (AHF or Boomerang funds from former Redevelopment Agency assets) to the project as a "backstop" while other sources are pursued. Evidence of the City of Menlo Park's financial commitment to the Willow Housing Project was a significant factor in HCDC's willingness to add additional funds to ensure financial feasibility for the project. Subject to City of Menlo Park's final financing commitment, the County's permanent financing contribution from AHF is currently estimated at \$990,000.

Given the estimated hard and soft project costs of \$16,507,928, the anticipated LIHTC equity, the County funding, and deferred developer fee, this leaves a funding gap of \$3,500,000 necessary for financial feasibility.

City of Menlo Park Funding Request & Consideration

The developer is requesting a soft loan of \$3,500,000 from the City of Menlo Park to fill the current funding gap. This amount represents approximately 21% of project's \$16,473,000 anticipated public funding sources. If we apply the 21% figure *pro rata* to the development's 59 low-income units, it yields 13 units available for "Menlo Park Priority," for which the BMR Fund Guideline's selection criteria would be in "first position," ahead of a preference for Veterans. The BMR Funds would not be allocated to the other units, per the City's guidance regarding use-restrictions on the City's funds. However, all 59 low-income units will create benefit to the City with respect to its Housing Element and RHNA "progress."

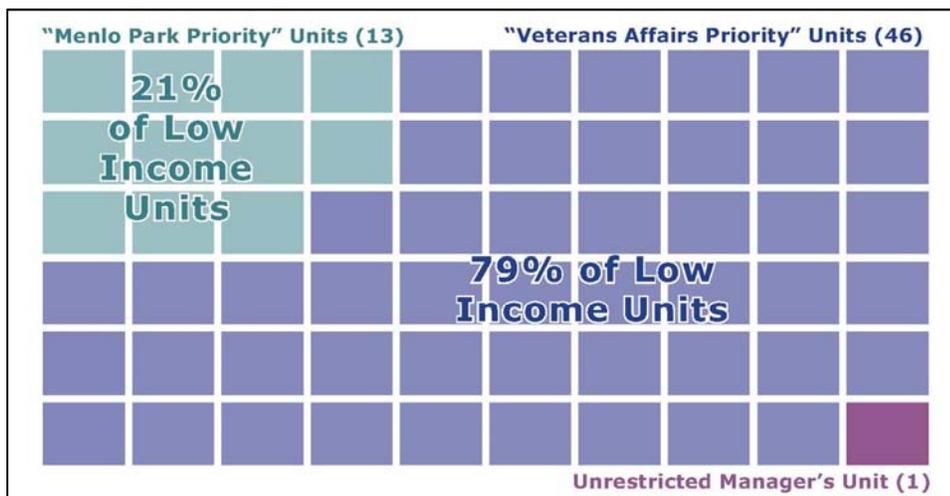
Refer to **Table 2: Proposed Project Funding & Segmentation of Units by Funding Source**, which provides the mathematical logic underlying the designation of Menlo Park Priority status to 13 of the low-income units. **Figure 1: Proportionality of Leasing Preference** depicts the two unit-type designations.

Table 2: Proposed Project Funding & Segmentation of Units by Funding Source

| USES | ESTIMATED COSTS | |
|----------------------------------|----------------------|--|
| Land Donation Value | \$ 13,200,000 | |
| Hard Costs | 10,536,246 | |
| Soft Costs | 2,962,552 | |
| Financing Costs & Interest | 356,569 | |
| Operating & Replacement Reserves | 741,522 | |
| Developer Fee | 1,400,000 | |
| TOTAL COSTS | \$ 16,507,928 | \$275,132/unit cost (excludes land) |

| PUBLIC FINANCING SOURCES (Excludes Land Donation Value & Developer’s Note) | | PERCENT OF PUBLIC CASH SOURCES | UNIT PROPORTION of 59 BMR Units |
|---|-------------------------|---------------------------------------|--|
| City of Menlo Park Loan Request | \$ 3,500,000 | 21% | 13 units |
| Tax Credit Equity | 11,608,000 | | |
| County of San Mateo HOME | 375,000 | 79% | 46 units |
| County of San Mateo AHF (Boomerang) | 990,000 | | |
| Total Public Sources | \$ 16,473,000 | 100% | (low-income) 59 |
| | PER UNIT SUBSIDY | PERCENT OF UNIT COST | |
| City of Menlo Park Loan Request | \$ 58,333 | 21% | |

Figure 1: Proportionality of Unit Leasing Preference



Consistency with BMR Fund Guidelines

This proposal and requested funding commitment assumes 13 Menlo Park Priority Units for which the BMR Fund Guidelines will supersede all other leasing preferences. Leasing protocol for these units is depicted in **Figure 2: Leasing Protocol**, as well as **Table 3: Tenant Selection Ranking for Menlo Park Priority Units**. The protocols and priorities described by **Figure 2** and **Table 3** are consistent with the City of Menlo Park’s BMR Fund Guidelines, Sections 7 and 11.

Figure 2: Leasing Protocol

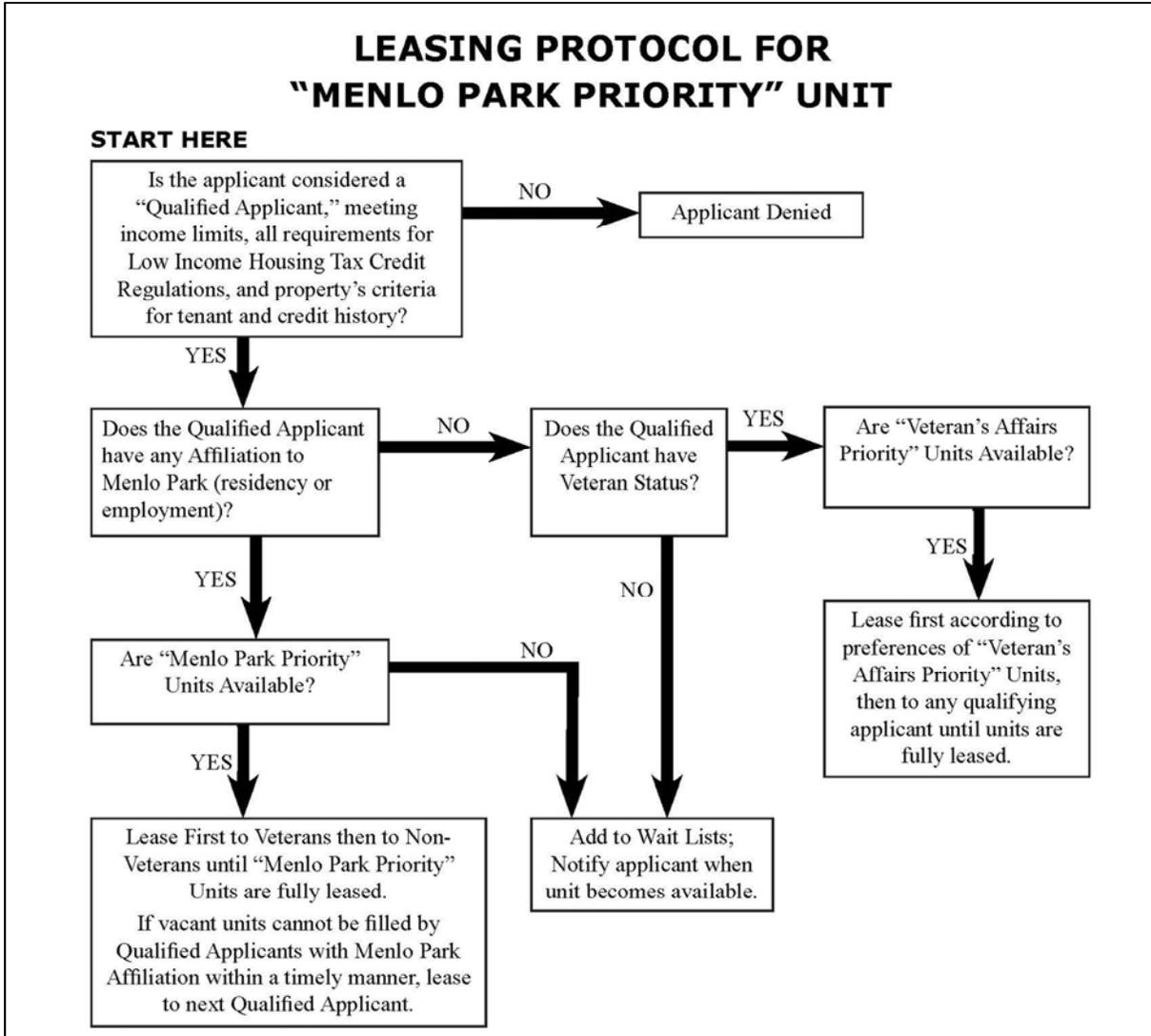


Table 3: Proposed Tenant Selection Ranking for "Menlo Park Priority" Units (13 of 59)

| Applicant Ranking | Came Via City of Menlo Park's Managed Waitlist | Income Qualifying for 40% AMI | Menlo Park Status | Veteran Status |
|-------------------|--|-------------------------------|-------------------|----------------|
| First Priority | ✓ | ✓ | ✓ | ✓ |
| Second Priority | | ✓ | ✓ | ✓ |
| Third Priority | ✓ | ✓ | ✓ | |
| Fourth Priority | | ✓ | | ✓ |
| Fifth Priority | | ✓ | | |

Municipal Benefits to City of Menlo Park

The following is a summary of the key benefits to the City of Menlo Park for supporting the development of Willow Housing.

- **Regional Housing Needs Allocation**
59 units restricted to 30% and 40% AMI translates to more than 25% progress on the 233 Very Low Income units needed per the proposed Menlo Park Regional Housing Needs Allocation for 2014-2022. Demonstrated progress on the City's RHNA allocation can position the City for a share of State funds for Congestion Management.
- **Exceptional Land Subsidy by Federal Government**
The VA's contribution of land creates an extremely unique opportunity for provision of the units which are greatly needed and the most challenging to finance. This sizable land contribution allows the BMR funds to be highly leveraged, for a relatively low City subsidy for a high number of BMR units in the City.
- **Use of BMR Funds**
Based on final funding commitment by the City relative to total project costs, the proportional share of low income units will be leased according to the City of Menlo Park's BMR Fund Guidelines, Sections 7 and 11, while maintaining compliance with all Fair Housing Law, Low Income Housing Tax Credit regulatory agreements, and the funding requirements of all other funding participants including the VA and County.

Site Design

The site is located at 605 Willow Road at South Perimeter Road, on the Veterans Affairs campus located at 795 Willow Road in Menlo Park. **Figure 3: Site Context Maps** shows the proposed housing site location in the context of the Veterans Affairs campus and surrounding Menlo Park.

Figure 3: Site Context Maps



VTBS Architects, Underwood & Rosenblum Civil Engineers, and Robert Baak & Associates Landscape Architects have developed a site & building plan that meets the needs of the Department of Veterans Affairs, and the City of Menlo Park's R-4S development standards and guidelines to the greatest extent feasible, and focus-group feedback from low-income Veterans of the population expected to lease. The planning level site and building designs have been reviewed and revised based on feedback by the City Planning staff and the Department of Veterans Affairs. The plans will be resubmitted to both agencies on January 13th. **Attachment C** shows selected Architectural and Landscape plans, currently under review by approving bodies.

The site design incorporates the following preferences of key stakeholders:

- Veterans Affairs Campus Requirements for VA Utility Access & Security
- City of Menlo Park R-4-S Standards and Guidelines
- Drought tolerant landscaping
- "Curb Appeal" from Willow Road
- Tree Preservation & Protection
- Minimizing costs with respect to engineering and construction
- Pedestrian oriented design for VA campus and Willow Road interface
- LEED Silver or better certification for green building, resource efficiency in design, construction, landscaping, and building operations
- Fire District access
- Architectural scale and style that is compatible with surrounding development
- Sufficient parking for residents, staff, and visitors
- Avoid additional driveway cutout on Willow Road and mitigate potential circulation impacts on Willow Road
- Site security and safety for residents and visitors

Building Design

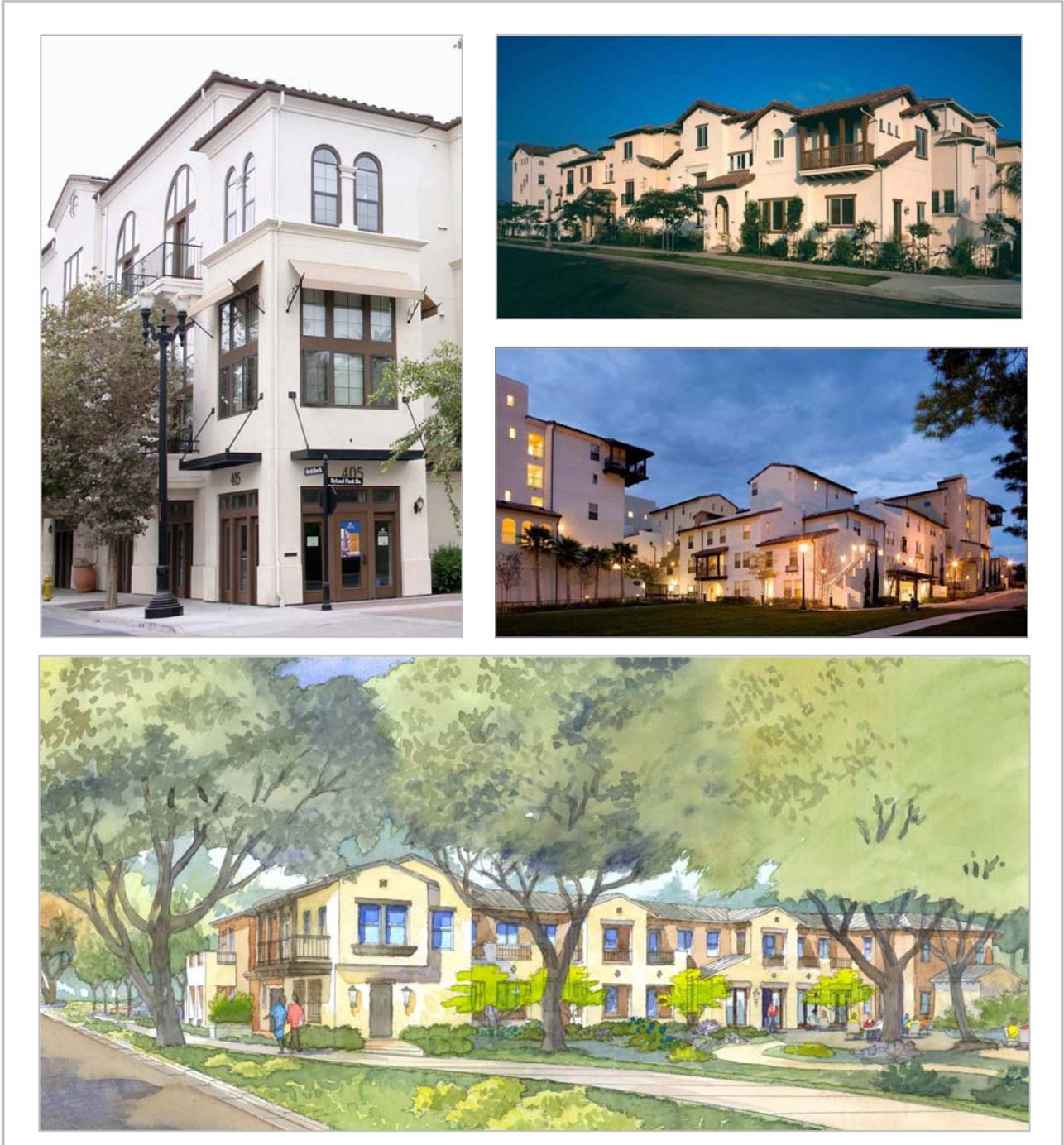
The design is currently envisioned to be a 2-story Type V-A construction, wood frame building of a traditional Spanish eclectic style, as depicted in **Figure 5: Spanish Architectural Style Samples**.

The building will include 54 studio units ranging from 450-490 sq. ft., plus 6 one-bedroom units at 630 sq. ft., and a live-in staff manager's two-bedroom unit for a total of 60 units. Total building footprint is expected to be approximately 22,000 square feet on a 2.011 acre site. Total interior square footage is estimated at approximately 43,600, resulting in roughly 0.5 Floor Area Ratio.

Included in this rental community will be approximately 4,000 square feet of common area comprised of management and service offices, lobby and postal facilities, community and flexible-use space, a fitness studio, common laundry facilities, and all support facilities such as stairs, elevator, janitorial closets and utility rooms.

There will be 45 uncovered parking spaces provided on-grade with 60 secured bike parking stalls. Care has been taken in the design of the project to preserve the existing redwood and oak trees to the greatest extent feasible. Common outdoor space will be provided in a secured area with easy access from the building for residents to enjoy the outdoors in a private or group setting.

Figure 5: *Spanish Architectural Style Samples*



Environmental Review

The Department of Veterans Affairs (VA) has nearly completed its required environmental review according to the National Environmental Policy Act (NEPA). The Draft Environmental Assessment (EA) was released November 22, 2013. Notice of Availability of the Draft EA for public review included printed notice in the San Mateo Times newspaper, announcement on the VA website, and mailing to neighbors. No comments were received by the VA during the 30-day public comment period, which concluded December 22, 2013, nor since then. Pending review and statement of concurrence by the State Historic Preservation Office, a Finding of No Significant Impact (FONSI) for the project is expected to be issued in early February 2014. San Mateo County Clerk will be provided the Final EA and FONSI.

Though the City of Menlo Park and the State of California do not have land use jurisdiction, the California Environmental Quality Act (CEQA) applies due to the anticipated action by City Council to issue BMR Funds to finance the project. It is Core's understanding from City of Menlo Park staff that the project qualifies for a CEQA exemption, due in part to the fact that the project is included in the adopted and State-approved Housing Element for 2007-2014.

Timeline

The pace of the development has increased significantly since early 2013, thanks to the preliminary funding commitment by City Council in May 2013. Entitlements, environmental clearance, and final funding commitments are anticipated in February 2014. Tax credits will be pursued, and if obtained by June 2014, then construction will commence before the conclusion of 2014. The current timeline is summarized in **Table 4: Development Schedule**.

Table 4: Development Schedule

| Milestone | Approximate Date |
|--|------------------|
| Site Control | Completed |
| Land Use Approvals | Completed |
| Planning Level Entitlements Issued | 2/3/2014 |
| Environmental Clearances Issued (NEPA & CEQA) | 2/3/2014 |
| Firm Financing Commitment Letters (LIHTC Equity Investor LOI and Soft Loan Commitments) | 2/3/2014 |
| Award of Tax Credits | 6/1/2014 |
| Construction Finance Closing & Construction Start | 12/1/2014 |
| Certificate of Occupancy; Begin Lease-Up & Operations | 5/1/2016 |

ATTACHMENTS

Attachment A – Development Budget

Attachment B – Veterans Affairs Land Appraisal Summary

Attachment C – Current Architectural and Landscape Plans

Attachment A – Development Budget

| SOURCES & USES BY PHASE | | | | |
|---------------------------------------|------------------|-------------------|------------------|-------------------|
| USES | Predevelopment | Construction | Completion | Total |
| Construction | | | | |
| Land | | 13,200,000 | | 13,200,000 |
| Owner Hard Costs - Solar | | 50,000 | | 50,000 |
| Demolition | | 45,136 | | 45,136 |
| Offsites | | 165,726 | | 165,726 |
| Sitework | | 762,392 | | 762,392 |
| Hard Cost Construction | | 7,578,330 | | 7,578,330 |
| Contractor Overhead | | 171,032 | | 171,032 |
| Contractor Profit | | 513,095 | | 513,095 |
| General Conditions | | 513,095 | | 513,095 |
| Additional Offsites | | 250,000 | | 250,000 |
| Construction Contingency | | 487,440 | | 487,440 |
| Soft Costs | | | | |
| Architect | 230,000 | 101,000 | | 331,000 |
| Engineering | 400,000 | 152,200 | | 552,200 |
| Taxes During Construction | | | | - |
| Insurance | | 186,000 | | 186,000 |
| Title & Recording | 500 | 37,500 | | 38,000 |
| Borrow Attorney | 50,000 | 145,000 | | 195,000 |
| Appraisal | 8,000 | | | 8,000 |
| Local Development Impact Fees | 799,002 | | | 799,002 |
| Building Permit Fees | 349,848 | | | 349,848 |
| Bond Premium | | 70,000 | | 70,000 |
| Marketing | | 60,000 | | 60,000 |
| Financial Consultant | 50,000 | 10,000 | | 60,000 |
| Environmental | 7,300 | | | 7,300 |
| Furnishings | | 150,000 | | 150,000 |
| Cost Certification/Accounting | 20,000 | | 20,000 | 40,000 |
| Market Study | 8,000 | | | 8,000 |
| Soft Cost Contingency | 108,202 | | | 108,202 |
| Interest | | | | |
| Construction Interest | | 349,438 | 7,131 | 356,569 |
| Financing | | | | |
| Lender Origination Fee - Construction | 84,700 | | | 84,700 |
| Lender Inspection Fees - Construction | | 22,500 | | 22,500 |
| Lender Origination Fee - Permanent | | | | - |
| Construction Lender Legal | 50,000 | | | 50,000 |
| Permanent Lender Legal | | | | - |
| Construction Due Diligence | 25,000 | | | 25,000 |
| Permanent Due Diligence | | | | - |
| Syndication Fee | | 35,000 | | 35,000 |
| Financing Contingency | | 50,000 | | 50,000 |
| Predevelopment Loan Costs | 31,500 | | | 31,500 |
| Predevelopment Interest | 90,000 | | | 90,000 |
| Soft Loan Interest | | | | - |
| Application | 2,000 | | | 2,000 |
| Reservation Fee | 95,739 | | | 95,739 |
| Compliance | | | 24,600 | 24,600 |
| Reserves | | | | |
| Services Reserve | | | 500,000 | 500,000 |
| Operating Reserve | | | 241,522 | 241,522 |
| Developer Fees | | | | |
| Developer Fee | 300,000 | 800,000 | 300,000 | 1,400,000 |
| Total | 2,709,791 | 25,904,884 | 1,093,253 | 29,707,928 |
| USES | | | | |
| Conventional Construction Loan | - | 7,800,000 | (7,800,000) | - |
| VA Land Donation | - | 13,200,000 | - | 13,200,000 |
| Tax Credit Equity | - | 2,749,675 | 8,858,325 | 11,608,000 |
| City of Menlo Park Loan | 2,500,000 | 1,000,000 | - | 3,500,000 |
| HOME | - | 375,000 | - | 375,000 |
| County of San Mateo AHF | 209,791 | 780,209 | - | 990,000 |
| Developer Note | - | - | 34,928 | 34,928 |
| Total | 2,709,791 | 25,904,884 | 1,093,253 | 29,707,928 |

Attachment B – Veterans Affairs Land Appraisal Summary



DEPARTMENT OF VETERANS AFFAIRS
WASHINGTON DC 20420

MAR 12 2013

Darci Palmer
CORE Affordable Housing
470 S. Market Street
San Jose, CA 95113

Re: Fair Market Value of Enhanced-Use Lease Parcel, Veterans Affairs Palo Alto Health Care System, Menlo Park Division

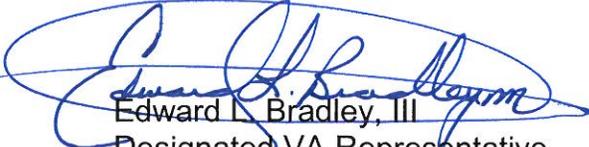
Dear Ms. Palmer,

The purpose of this letter is to provide supporting documentation for Willow Housing Limited Partnership's (Willow, L.P.'s) application for funding via the County of San Mateo Notice of Funding Availability for HOME/CDBG funding.

The Department of Veterans Affairs (VA) is in possession of a Real Estate Market Value Appraisal Report of the subject property – the same property in which Willow, L.P. has a leasehold interest, pursuant to an Enhanced-Use Lease agreement executed between Willow, L.P. and VA on December 27, 2011. The Appraisal Report was prepared for VA by Craig Owyang Real Estate, in conformity with the Uniform Appraisal Standards for Federal Land Acquisitions.

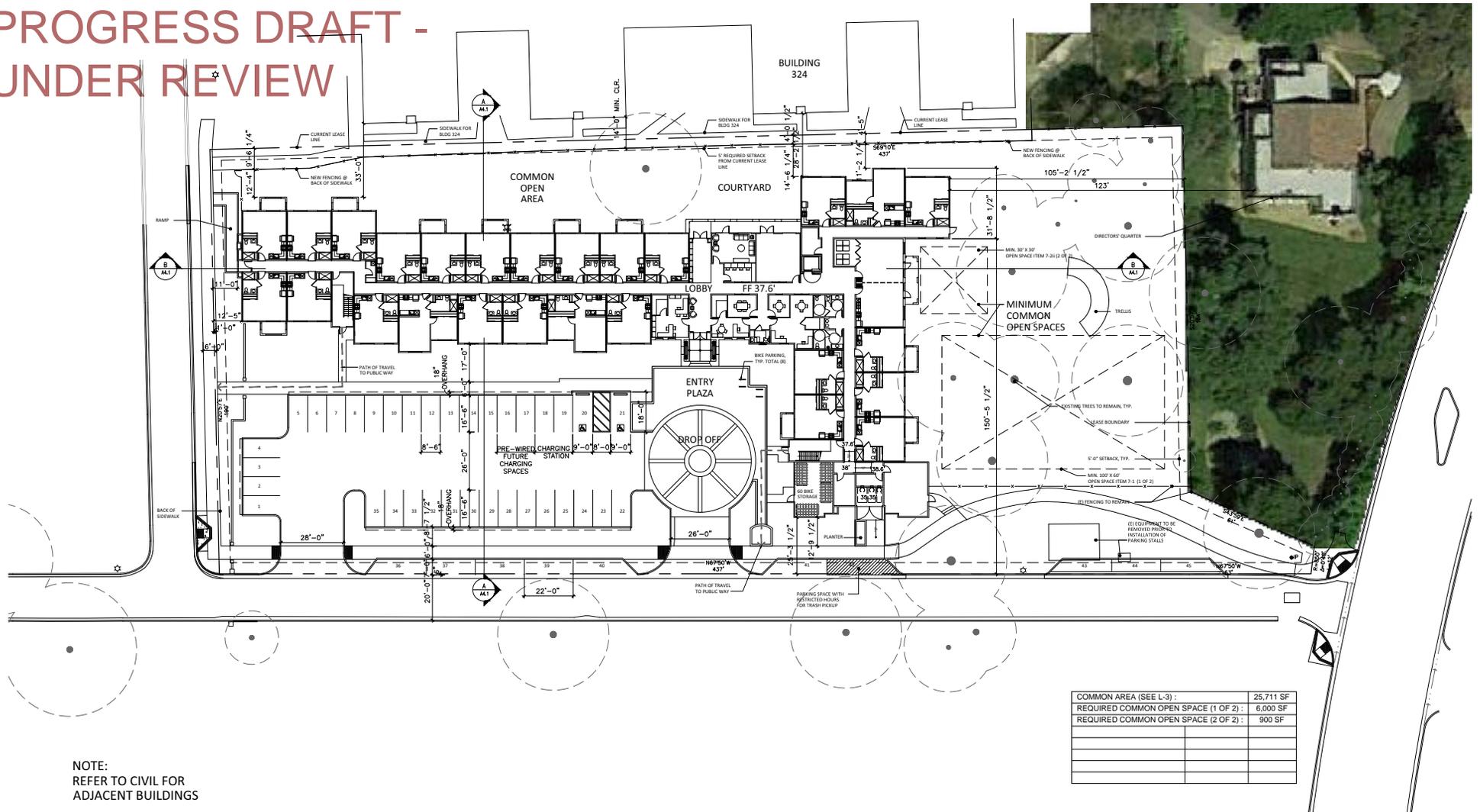
The aforementioned appraisal found that the land value of the subject property, as of February 22, 2012, is **\$13,200,000.00**.

Sincerely,


Edward L. Bradley, III
Designated VA Representative

Attachment C – Current Architectural and Landscape Plans

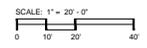
PROGRESS DRAFT - UNDER REVIEW



| | |
|---------------------------------------|-----------|
| COMMON AREA (SEE L-3) : | 25,711 SF |
| REQUIRED COMMON OPEN SPACE (1 OF 2) : | 6,000 SF |
| REQUIRED COMMON OPEN SPACE (2 OF 2) : | 900 SF |
| | |
| | |
| | |
| | |

NOTE:
REFER TO CIVIL FOR
ADJACENT BUILDINGS

PRELIMINARY SITE PLAN
60 APARTMENTS



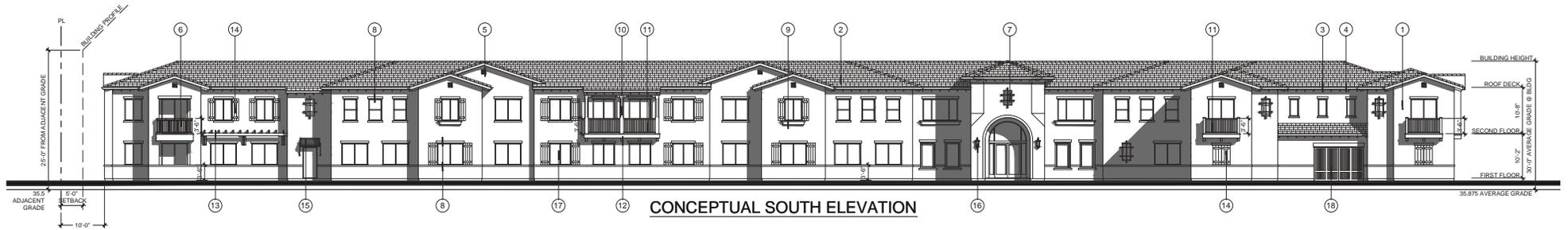
JANUARY 09, 2014

COREaffordable

WILLOW HOUSING
605 BLOCK WILLOW ROAD,
MENLO PARK, CALIFORNIA

A1.1
VAN TILBURG, BANVARD & SODERBERGH, AIA
ARCHITECTURE • PLANNING • URBAN DESIGN
www.vtb.com

PROGRESS DRAFT - UNDER REVIEW



CONCEPTUAL NORTH ELEVATION

BUILDING ELEVATIONS

| ELEVATION NOTES | |
|--|----------------------------------|
| 1. PORTLAND CEMENT PLASTER - LIGHT SAND FINISH | 10. PAINTED WOOD POST |
| 2. COMPOSITION ROOFING (ALT. CONCRETE S' TILE) | 11. PAINTED WOOD TEXTURE RAILING |
| 3. PAINTED RAFTER TAIL | 12. PAINTED WOOD CORBEL |
| 4. PAINTED WOOD FASCIA/METAL GUTTER | 13. PAINTED WOOD TEXTURE TRELIS |
| 5. GABLE END BLOCK DETAIL | 14. FIXED WOOD TEXTURE SHUTTER |
| 6. PAINTED METAL RAILING | 15. METAL BERKUDA SHUTTER |
| 7. PAINTED METAL ACCENT | 16. EXTERIOR LIGHT FIXTURE |
| 8. PLASTER FINISHED TRIM | 17. VINYL WINDOWDOOR |
| 9. PLASTER FINISHED EXTENDED SILL | 18. WOOD COMPOSITE TREX |

SCALE: 3/32" = 1' - 0"
0 2 4 8 16 32

JANUARY 09, 2014

VTBS 12079

COREaffordable

WILLOW HOUSING

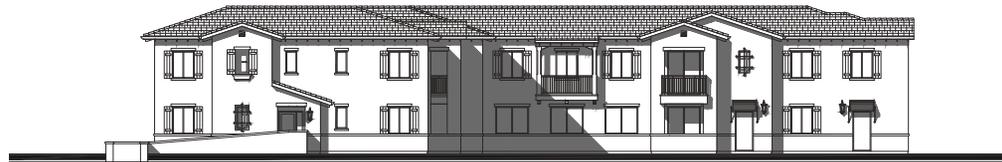
605 BLOCK WILLOW ROAD,
MENLO PARK, CALIFORNIA

A3.1
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PROGRESS DRAFT - UNDER REVIEW

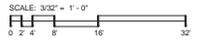


CONCEPTUAL EAST ELEVATION



CONCEPTUAL WEST ELEVATION

BUILDING ELEVATIONS



JANUARY 09, 2014

VTBS 12079

COREaffordable

WILLOW HOUSING

605 BLOCK WILLOW ROAD,
MENLO PARK, CALIFORNIA

A3.2

VAN TILBURG, BANVARD & SODERBERGH, AIA
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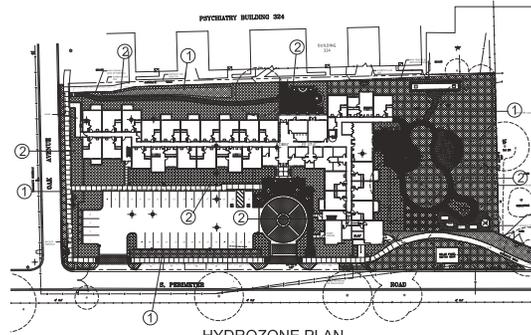
PROGRESS DRAFT UNDER REVIEW

RECOMMENDED SHRUB & GROUND COVER PLANT LIST:

| BOTANICAL NAME | COMMON NAME | SIZE | SPACING | WATER USE |
|--|---------------------------|-------|----------|-----------|
| SHRUBS: | | | | |
| ABELIA 'KALIDESCOPE' | VARIGATED ABELIA | 5 GA | 4' | LOW |
| AGAVE 'BLUE FLAME' | AGAVE | 1 GA | 2' | LOW |
| AUCUBA JAPONICA | GOLD DUST PLANT | 5 GA | 4' | MED |
| AZALEA KURUMINE | DWARF AZALEA | 5 GA | 3' | MED |
| BERGENIA CRASSIFOLIA | WINTER BERGENIA | 1 GA | 2' | MED |
| BUXUS 'GREEN BEAUTY' | JAPANESE BOXWOOD | 5 GA | 26" | LOW |
| CAMELLIA 'TANYA' | GROUND COVER CAMELLIA | 1 GA | 5" | MED |
| CEANOTHUS SPECIES | WILD LILAC | 5 GA | 4' | LOW |
| COLEONEMA 'SUNSET GOLD' | DWARF BREATH OF HEAVEN | 5 GA | 3' | LOW |
| CORDYLINA A. 'FESTIVAL GRASS' | NCN | 5 GA | 4' | LOW |
| DICKSONIA ANTARTICA | TASMANIAN TREE FERN | 5 GA | 8' | HIGH |
| DIETES IRIDIODES 'VARIGATA' | FORTNIGHT LILY | 1 GA | 3' | LOW |
| FESTUCA IDAHOENSIS | BLUE FESCUE | 1 GA | 2' | LOW |
| GARRAYA ELLIPTICA | SILK TASSEL BUSH | 5 GA | 6' | LOW |
| HEMEROCALLIS 'LITTLE GREENIE' | DWARF EVERGREEN DAYLILY | 1 GA | 2' | LOW |
| HETEROMELES ARBUTIFOLIA | TOYON | 5 GA | 6' | LOW |
| HYDRANGEA SPECIES | HYDRANGEA | 5 GA | 5' | MED |
| KNIPHOFIA 'GOLD MINE' | TORCH LILY | 1 GA | 3' | LOW |
| LOROPETALUM 'BURGUNDY' | FRINGE FLOWER | 5 GA | 4' | MED |
| MUHLENBERGIA RIGENS | DEER GRASS | 1 GA | 3' | LOW |
| NANDINA DOMESTICA | HEAVENLY BAMBOO | 5 GA | 5' | LOW |
| NANDINA D. 'FIREPOWER' | DWARF HEAVENLY BAMBOO | 5 GA | 3' | LOW |
| NASELLA TENNISJIMA | MEXICAN FEATHER GRASS | 1 GA | 2' | LOW |
| PANICUM 'CLOUD NINE' | SWITCH GRASS | 1 GA | 3' | LOW |
| PHORMIUM 'JACK SPRATT' | DWARF FLAX | 1 GA | 2' | LOW |
| PHORMIUM 'MAORI QUEEN' | FLAX | 5 GA | 4' | LOW |
| POLYSTICHUM MUNITUM | CALIFORNIA SWORD FERN | 5 GA | 3' | MED |
| RHAMNUS 'EVE CASE' | COFFEEBERRY | 5 GA | 4' | LOW |
| RHAPHIOLEPIS 'SPRINGTIME' | PINK INDIA HAWTHORN | 5 GA | 5' | LOW |
| RHAPHIOLEPIS 'BALLERINA' | DWARF PINK INDIA HAWTHORN | 5 GA | 3' | LOW |
| RIBES SANGUINEUM 'CLAREMONT' | WINTER FLOWERING CURRANT | 5 GA | 4' | LOW |
| ROSEMARINUS 'TUSCAN BLUE' | TUSCAN ROSEMARY | 5 GA | 4' | LOW |
| TIBOUCHINA URVILLEANA | PRINCESS FLOWER | 5 GA | 4' | MED |
| VIBURNUM DAVIDII | VIBURNUM | 5 GA | 4' | LOW |
| GROUND COVERS: | | | | |
| ARCTOSTAPHYLOS 'EMERALD CARPET' | DWARF MANZANITA | 1 GA | 26" O.C. | LOW |
| CAREX ELATA 'AUREA' | BLUE SEDGE | 1 GA | 26" O.C. | LOW |
| COTONEASTER 'LOWFAST' | DWARF COTONEASTER | 1 GA | 26" O.C. | LOW |
| FESTUCA GLAUCA | BLUE FESCUE | 1 GA | 20" O.C. | LOW |
| FRAGARIA CHILOENSIS | ORNAMENTAL STRAWBERRY | FLATS | 12" O.C. | MED |
| LANTANA MONTEVIDENSIS | LANTANA | 1 GA | 26" O.C. | LOW |
| ROSA X NOATRAUM | PINK CARPET ROSE | 2 GA | 3' O.C. | MED |
| TURF | DWARF TALL FESCUE SOD | SOD | ROLLS | HIGH |
| STORM WATER BASIN PLANTING: ONE GALLON CANS @ 24" O.C. SPACING | | | | |
| CAREX TUMULICOLA | BERKELEY SEDGE | | | LOW |
| FESTUCA CALIFORNICA | FESCUE | | | LOW |
| MUHLENBERGIA RIGENS | DEER GRASS | | | LOW |

TREE LIST AND KEY:

| SYMBOL | BOTANICAL NAME | COMMON NAME | SIZE | SPACING | WATER USE | QUANTITY |
|---------------|----------------------------------|---------------------|--------|---------|-----------|----------|
| TREES: | | | | | | |
| | ACER PALMATUM 'BLOODGOOD' | JAPANESE MAPLE | 15 GAL | VARIES | MED | 5 |
| | ACER PALMATUM 'SANGO KAKU' | JAPANESE MAPLE | 15 GAL | VARIES | MED | 3 |
| | ACER RUBRUM | SCARLET MAPLE | 15 GAL | 34' | MED | 5 |
| | ARBUTUS 'MARINA' | ARBUTUS | 15 GAL | 16' | LOW | 9 |
| | CERCIS CANADENSIS 'FOREST PANSY' | REDBUD | 15 GAL | 14' | LOW | 7 |
| | LAGERSTROEMIA 'TUSCARORA' (STD) | CRAPE MYRTLE (STD) | 15 GAL | 12' | LOW | 4 |
| | MALUS FLORIBUNDA | FLOWERING CRABAPPLE | 15 GAL | 32' | MED | 4 |
| | PISTACIA CHINENSIS | CHINESE PISTACHE | 15 GAL | VARIES | LOW | 5 |
| | PLATANUS A. 'COLUMBIA' | LONDON PLANE | 15 GAL | 35' | LOW | 5 |
| | PYRUS CALLERYANA 'ARISTOCRAT' | ARISTOCRAT PEAR | 15 GAL | VARIES | MED | 15 |
| | QUERCUS AGRIFOLIA | COAST LIVE OAK | 15 GAL | 20' | LOW | 8 |



HYDROZONE PLAN

ZONE 1: LOW WATER USE PLANTING; DRIP APPLICATION

ZONE 2: MEDIUM WATER USE PLANTING; DRIP APPLICATION

HYDROZONE INFORMATION TABLE

| ZONE | PLANT WATER USE TYPE | PLANT FACTOR | IRRIGATION METHOD | HYDROZONE AREA (SQUARE FEET) | PF x HA (SQUARE FEET) |
|--------|----------------------|--------------|-------------------|------------------------------|-----------------------|
| 1 | LOW | 0.3 | DRP | 21,941 | 6,512.3 |
| 2 | MEDIUM | 0.5 | DRP | 15,179 | 7,589.3 |
| TOTAL: | | | | 36,220 | 13,901.8 |

WATER EFFICIENT LANDSCAPE WORKSHEET

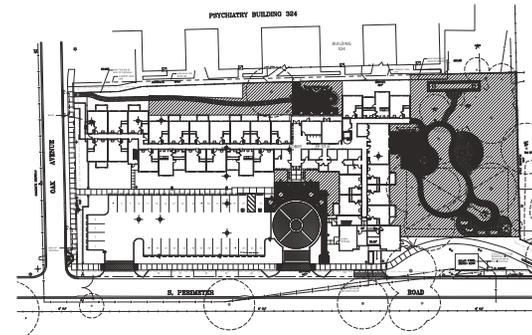
MAXIMUM APPLIED WATER ALLOWANCE: ESTIMATED TOTAL WATER USE:

$$MAWA = (ET_{0.0} \times 0.62) \times [(0.7 \times LA) + (0.3 \times SLA)]$$

$$MAWA = (42.8) \times 0.62 \times [(0.7 \times 36,220) + (0.3 \times 0)]$$

$$MAWA = (26,536) \times 0.62 = 16,464 \text{ GALLONS PER YEAR}$$

ETWU ≤ MAWA



COMMON USE AREA PLAN

COMMON USE AREA; RECREATIONAL AND PASSIVE USE AREAS
TOTAL AREA: 25,711 S.F.

RESOLUTION NO.

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MENLO PARK
AUTHORIZING A LOAN IN THE AMOUNT OF UP TO \$2,860,000 FROM THE
BELOW MARKET RATE (BMR) FUND TO CORE HOUSING FOR THE
CONSTRUCTION AND PERMANENT FINANCING OF A 60-UNIT
APARTMENT COMPLEX LOCATED AT 605 WILLOW ROAD**

WHEREAS, the opportunity for lower income housing remains a need in Menlo Park; and

WHEREAS, the Below Market Rate (BMR) Fund allows the construction of units for inclusion in the BMR Program as an eligible use; and

WHEREAS, CORE Housing (or an affiliated entity such as Willow LP) was selected by the Veterans Affairs to develop a 60 unit apartment complex on VA property; and

WHEREAS, CORE Housing proposes to develop, and manage these units located at 605 Willow Road in Menlo Park; and

WHEREAS, the City of Menlo Park wishes to assist those eligible for BMR Housing by making units available.

NOW, THEREFORE, BE IT RESOLVED that the City Council of Menlo Park hereby (a) approves a funding commitment for the construction of 60 rental units consisting of 7 units at 30% of the Area Median Income ("AMI"), 52 units at 40% of the AMI, and 1 unrestricted managers unit on the terms and conditions set forth in the Willow Housing Apartments Loan Term Sheet (attached); (b) that this project will contain 54 studio units, 5 one-bedroom units, and 1 two bedroom unrestricted manager's unit, (c) In addition, 11 of the 59 below-market units will be leased with preference for qualified households with Menlo Park affiliation, consistent with the terms of the most current BMR Housing Program Guidelines (which is as of 2011 at the time this matter is presented to City Council), (d) authorizes a loan of up to \$2,500,000 to CORE Housing/Willow LP for soft loan financing from the City's Below Market Rate Fund for construction and permanent financing and up to an additional \$360,000 which can be used solely for City required fees, (e) all loan proceeds shall be funded from the City's BMR Fund with the loan documents and affordability restrictions to be subject to review and approval of the City Attorney and City Manager; (f) the City Manager is authorized to execute any and all documents necessary to consummate such loan and fee payments on behalf of the City of Menlo Park.

I, Pam Aguilar, City Clerk of Menlo Park, do hereby certify that the above and foregoing Council Resolution was duly and regularly passed and adopted at a meeting by said Council on the fourteenth day of January, 2014, by the following votes:

AYES:

NOES:

ABSENT:

ABSTAIN:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Official Seal of said City on this fourteenth day of January, 2014.

Pam Aguilar
City Clerk

CITY OF MENLO PARK, CALIFORNIA

WILLOW HOUSING APARTMENTS CONSTRUCTION / PERMANENT LOAN TERM SHEET

Date: January 6, 2014

1. PROJECT DESCRIPTION:
Name and Location: Willow Housing is located at 605 Willow Road, Menlo Park, California.
Number of Units: 60 rental units - consisting of 7 units at 30% Area Median Income ("AMI"), 52 units at 40% AMI, and 1 unrestricted manager's units. The project will contain 54 studio units, 5 one-bedroom units, and 1 two-bedroom unrestricted manager's unit. 11 of the 59 below-market rate units will be leased with preference for qualified households with Menlo Park Affiliation, consistent with the terms of the published 2011 Below Market Rate Housing Program Guidelines.
2. BORROWER: Willow Housing, L.P., a California limited partnership.
3. DEVELOPER: Core Affordable Housing, LLC.
4. PURPOSE OF LOAN: Construction and permanent financing.
5. LOAN AMOUNT: Construction and Permanent loan ("Loan") in principal amount of up to \$2,860,000.
6. TERM OF LOAN: 36 months for the Construction Loan and up to 55 years for the Permanent Loan. The term of the loan shall be in excess of 15 years.
7. SPECIFIC FUND: The Loan is made from the Below Market Rate Housing Program Fund. Payment is not an obligation of the City's General Fund. No portion of these funds are Federal in nature.
8. INTEREST RATE: The Predevelopment, Construction Loan and Permanent Loan interest rate will be set, not to exceed 4% simple, with an onset date of approximately July 1, 2014. The final interest rate is subject to final negotiations with the Developer and as approved with final underwriting.
9. PAYMENTS: The principal balance and accrued and unpaid interest for the Loan due at maturity will be repaid by residual receipts payments. The City will receive a percentage of cash flow, net of the Project Based VASH Voucher revenue in excess of gross potential LIHTC rents as determined through the underwriting. Principal and interest payable on the Permanent Loan to the City shall be due from the City's share of net cash flow, after payment of permitted expenses (as approved by the City through underwriting) including the following: 1) contributions to the replacement reserve; 2) payment of the asset management fee and partnership management fee; 3) payment of deferred developer fee; 4) contributions to the services reserve.
10. PROJECT COSTS: At least 60 days prior to execution of loan agreement and promissory note, Borrower shall provide a minimum 50% set of construction drawings for a third party review of

cost sufficiency and reasonableness. The third party reviewer shall be selected and engaged by the City and fees paid out of loan proceeds.

11. LAND & PROPERTY OWNERSHIP: Long term ground lease with the Department of Veterans Affairs, with minimum 55 year term. Improvements will be owned by Willow Housing, LP.

SECURITY: Deed of Trust. The Loan shall be evidenced by a Loan Agreement and Promissory Note. The Deed of Trust, and Security Agreement may be subordinated to a construction and permanent loan if acceptable to the City. The Affordability Restrictions may be subordinated, with prior approval of the City.
12. USE OF FUNDS: No portion of the funds may be used for social services or operating reserves.
13. AFFORDABILITY RESTRICTIONS: 55-year Affordability Restrictions will be recorded on the Site with the Assisted Units restricted as stated in paragraph 1 above.
14. SURVEY: Borrower shall submit to the City for approval a survey, certified by a licensed surveyor, showing the location of all matters affecting the property including the location of boundary lines, easements, rights of way, and setting forth the legal description of the Property.
15. REPLACEMENT RESERVES: The City shall require Borrower to deposit into an interest-bearing account after closing of the Permanent Loan a monthly payment amount (“Replacement Reserve”). The monthly payment amount to be deducted prior to mortgage payments shall be compliant with TCAC regulations and Tax Credit Investor requirements.
16. DEVELOPER FEE: Gross developer fee shall not exceed the lesser of \$1,400,000 or 15% of total project costs excluding land and developer fee.
17. CONSTRUCTION CONTINGENCY: Owner’s hard cost construction contingency shall not be less than 5% of each of the following: hard construction cost, general contractor profit and overhead, general requirements, and site improvement cost.
18. CONSTRUCTION CONTRACT: The construction contract (“Contract”) to be retained by Borrower to construct the Improvements shall all be subject to City’s approval prior to funding loan.
19. DISBURSEMENT: City shall make disbursement of the Loan based on a cost breakdown that restricts disbursements to cost categories. City shall require that Borrower provide documentation supporting the request for each disbursement of the Loan funds. City reserves the right to conduct inspections of the Property prior to disbursing Loan funds to Borrower. City acknowledges that City funds may be required by investor and construction lender to be held in a trustee account at time of Construction Closing.
20. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower shall procure and maintain public liability and property damage insurance, and other insurance as required by the City (with the City named as additional insured) in a form, substance and amount approved by the City, and issued by a California admitted carrier (A.M. Best rated B+ or better). Borrower shall also procure and maintain workers' compensation and all other insurance required under applicable law, which insurance shall be in a form and amount approved by the City.

21. TITLE INSURANCE: Borrower shall procure and deliver to City an ALTA Extended Policy of Title Insurance, together with such endorsements as City may require, in an amount equal to the principal amount of the Loan, insuring that City's Deed of Trust constitutes a lien or charge upon the Property subordinated only to such items as shall have been approved by City.
22. ORGANIZATIONAL AGREEMENTS: Borrower shall submit to City a certified copy of Borrower's Certificate of Limited Partnership, Partnership Agreement, By-Laws, Borrowing Resolution and Incumbency Certificate with all exhibits and amendments thereto and related filings or recorded documents, a current good status certificate and such related documentation as City may request. City may require an opinion from Borrower's independent counsel that Borrower is validly organized under California law and is empowered to enter into the transactions contemplated by this Term Sheet.
23. FINANCIAL INFORMATION: Borrower shall make available to City within 180 days of the end of each fiscal year, for Borrower, audited income and expense statement, balance sheet, and statement of all changes in financial position signed by authorized officers of the Borrower. Prior to close of the Construction/Permanent loan and during the term thereof, Borrower shall make available to City such additional financial information as may be requested by City. City reserves the right to review and approve financial statements and other credit information and references prior to closing, in order to allow City to properly underwrite the Loan. These financial reporting requirements may be revised during underwriting process and finalized in Loan Documents.
24. DOCUMENTATION: This term sheet is not intended to set forth all of the terms, conditions and documents for the Loan, which shall include customary provisions and documents for a transaction of this type. The form and substance of all documents to be delivered to or approved by City (including, but not limited to, all such documents mentioned in this Term Sheet and all documents evidencing, securing or related to the Loan) shall in all respects be satisfactory to City. Borrower shall promptly deliver to City any further documentation which may be required by City.
25. CHANGES OR AMENDMENTS: The City Manager and City Attorney shall jointly have the authority, at their sole discretion, to approve or deny changes to terms as may be requested by the Partnership during negotiation of loan documents and final loan terms.
26. CONFLICT: If a conflict arises between terms herein and terms in the Loan Agreement, Note, Affordability Restrictions, and other documents effectuating this Loan, the loan documents shall prevail.
27. EXPIRATION: The signatures below indicating offer and acceptance constitute a commitment by the City to fund this loan, given agreement on final loan terms.

ACCEPTED BY:

WILLOW HOUSING, L.P.

By:
Its:

By: _____

Name: _____

Title: _____

Date: _____

ACKNOWLEDGED BY:

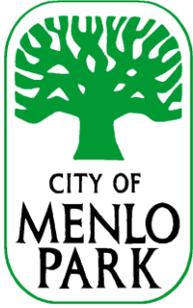
The City of Menlo Park, a California municipal corporation

By: _____

Name: _____

Title: _____

Date: _____



Office of the City Manager

January 15, 2014

Mr. William Pavao
Executive Director
California Tax Credit Allocation Committee
915 Capitol Mall, Suite 485
Sacramento, CA 95814

Re: Public Funding Award Letter
Willow Housing, Menlo Park, California

Dear Mr. Pavao:

This letter shall confirm that the City Council of the City of Menlo Park (the “City”) approved funding a loan in the amount of up to \$2,500,000 to Willow Housing LP in soft loan financing from the City’s Below Market Rate (BMR) Fund, and up to \$360,000 to offset any City required engineering, connection, and/or impact fees. This loan shall assist in the development of a 60-unit affordable development (the “project”) to be located at 605 Willow Road in Menlo Park, California.

These firm funding commitments were approved by Resolution action on January 14, 2014. The loan to Willow Housing, LP, will be a “soft” loan, payable from residual receipts with the following terms:

- Term – Will exceed 15 years
- Interest Rate – Shall not exceed 4% Simple.

The loan terms are further defined in the Loan Term Sheet which is attached to the Resolution adopted by the City Council. These loan terms are subject to final underwriting which the City Manager and City Attorney jointly have the authority to negotiate. If additional funding is needed, further City Council consideration may be required.

These public funds have been firmly committed to the project and require no further approvals. Other than the proposed housing, there has been no consideration given by anyone connected to the project, for the funds. Due to the nature of the special purpose of the City’s Below Market Rate fund, 11 of the 59 units must be made available through the City’s BMR program.



Office of the City Manager

Should you have any questions, please contact Starla Jerome-Robinson, Assistant City Manager, at (650) 330-6617 or via email at sjrobinson@menlopark.org.

Sincerely,

Starla Jerome-Robinson
Assistant City Manager

cc: William McClure, City Attorney
Cherise Brandell, Community Services Director
Drew Corbett, Finance Director
Arlinda Heineck, Community Development Director
Justin Murphy, Planning Services Manager