I. CALL TO ORDER

II. PUBLIC COMMENTS

III. APPROVAL OF MINUTES

1) September 18, 2019

IV. ACTION ITEMS

1) APPOINT A COMMISSIONER TO THE 2020-2024 EMERGENCY SOLUTIONS GRANT SELECTION COMMITTEE - Staff

1) HERMOSA VILLAGE PHASE II RESYNDICATION – ANDY NOGAL

V. INFORMATIONAL ITEMS

1) UPDATES – Grace Stepter
2) AFFORDABLE HOUSING TOUR – Andy Nogal

VI. COMMISSIONERS REPORTS AND COMMENTS

VII. STAFF COMMENTS

VIII. ADJOURNMENT

POSTING STATEMENT: on Friday, October 11, 2019 by 5:00 p.m., a true and correct copy of this agenda was posted in the lobby of Anaheim West Tower, 201 S. Anaheim Blvd and online at the Agenda Center at www.anaheimhousingprograms.com.

Any writings or documents provided to a majority of the Anaheim Housing and Community Development Commission regarding any item on this agenda (other than writings legally exempt from public disclosure) will be made available for public inspection in the Community Development Department located at 201 S. Anaheim Blvd., Suite 1003, during regular business hours. ***Attachments available for public viewing on second Floor.
I. CALL TO ORDER:

Chair-person Kurtz called the meeting to order at 5:08 p.m.

II. PUBLIC COMMENTS:

None.

III. APPROVAL OF MINUTES:

After tabling of the minutes until the end of the meeting, Commissioner Castro moved to approve the meeting minutes of July 17, 2019 as modified. Commissioner Anderson-Gohl seconded the motion. Motion carried (5-0). Commissioner Adair abstained.

IV. ACTION ITEMS:

Albert Ramirez requested that the Housing and Community Development Commission review and by motion, recommend the approval of the Commercial Property Purchase Agreement and Joint Escrow Instructions (Purchase Agreement) for the purchase of an approximate 2.81 acre property at 331 and 401 W. Carl Karcher Way for Seven million, seven hundred thousand dollars and allow the Executive Director of the Housing Authority, or his
designee, to execute and administer the agreement on behalf of the Housing Authority, to the Governing Body of the Anaheim Housing Authority.

After a brief question and answer session, Commissioner Anderson-Gohl motioned to recommend approval. Commissioner Adair seconded the motion. Motion carried (6-0).

Mika Takayasu and Michelle Gallardo requested that the Housing and Community Development Commission review and by motion, recommend the approval of the Fiscal Year 2018-2019 Consolidated Plan for approval to the Governing Body of the Anaheim Housing Authority.

After a brief question and answer session, Commissioner Castro motioned to recommend approval. Commissioner Adair seconded the motion. Motion carried (6-0).

V. INFORMATIONAL ITEMS:

None.

VI. COMMISSIONER REPORTS AND COMMENTS:

Commissioner Tamayo inquired about a letter addressed to Commissioners from an applicant on the Section 8 Rental Assistance Programs waiting list regarding their placement on the list.

VII. STAFF COMMENTS:

Kerrin Cardwell provided an update on the results of the opening of the waiting list for the Section 8 Rental Assistance Program. She reported the waiting list was open from July 29 – August 9; staff spent 250 hours at local organizations to help applicants submit applications because it was only available online. There was a call center open to answer questions from July 18 through August 30. Assistance was available in 16 languages; Flyers were available in English, Spanish, and Vietnamese; Everyone the PBV waiting list was advised of the opening, and the City was blanketed with flyers. As a result, the agency received 7,600 applications.

Andy provided an Affordable Housing Project update and informed the Commission that arrangement for a project tour was under way.

VIII. ADJOURNMENT:

Chair-person Kurtz adjourned the meeting at 5:54 p.m.

Respectfully submitted,

Nadia-Price
Secretary to Housing & Community Development Commission
DATE: OCTOBER 16, 2019

FROM: COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT

SUBJECT: APPOINT A COMMISSIONER TO THE 2020-2024 EMERGENCY SOLUTIONS GRANT SELECTION COMMITTEE

RECOMMENDATION:
That the Housing & Community Development Commission (HCDC) appoint a commissioner to the 2020-2024 Emergency Solutions Grant Selection Committee.

BACKGROUND:
The City of Anaheim is the recipient of Emergency Solutions Grant (ESG) funds from the U.S. Department of Housing and Urban Development (HUD). The City of Anaheim has received ESG funds since 1996. On average, the City of Anaheim receives approximately $360,000 of ESG funds annually.

The ESG program is designed to identify sheltered and unsheltered homeless persons, as well as those at risk of homelessness, and provide the services necessary to help those persons quickly regain stability in permanent housing after experiencing a housing crisis and/or homelessness.

2020-2024 ESG SELECTION COMMITTEE

The City of Anaheim is releasing a 5-year ESG funding application in partnership with the City of Santa Ana and City of Garden Grove. The application seeks proposals from qualified non-profit providers to deliver ESG eligible homeless services. The funding application will be posted on the City’s PlanetBid system, emailed to known interested parties and circulated in various homeless provider forums.

Applications will be reviewed by a Selection Committee consisting of staff and commissioners from the participating cities. The Selection Committee will collectively work together to review applications for responsiveness to application requirements and conduct interviews.
Each eligible applicant will be scheduled for an interview session with the Selection Committee. Each agency will be given twenty minutes per applicant program to explain the agency’s mission and key elements of the proposed program(s). This presentation will be followed by a short question and answer period, conducted by the Selection Committee.

Although the committee will jointly review the applications, each jurisdiction will develop its own ESG budget and funding recommendations. Funding recommendations developed by Anaheim staff and the selected commissioner, will be presented as part of the 2020 Annual Action Plan for final approval.

Staff is requesting that the Housing and Community Development Commission select one of its commissioners to participate in the FY 2020-2024 ESG applicant selection process.
DATE: OCTOBER 16, 2019
FROM: COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT
SUBJECT: HERMOSA VILLAGE APARTMENTS PHASE II BOND ISSUANCE

RECOMMENDATION:

That the Housing & Community Development Commission recommend that the Anaheim Housing Authority approve a Commitment Letter from the Authority to Hermosa Village Phase II Housing Partners, L.P. in the form attached for that certain 112-unit Hermosa Village Phase II New Project.

DISCUSSION:

On June 15, 1999, the Anaheim Housing Authority (Authority) approved the Jeffrey-Lynne Neighborhood Revitalization Plan (Plan) for the revitalization of the Jeffrey-Lynne Neighborhood located at 1515 S. Calle Del Mar. The Jeffrey-Lynne Neighborhood was designated as a Level IV Priority Neighborhood with over-crowding, code violations, deferred maintenance, deteriorating buildings and gang violence. The Authority subsequently entered into phased affordable housing agreements with the Related Companies of California (Developer) to implement the Plan for the Jeffrey-Lynne Neighborhood, also known as the Hermosa Village Apartments Project, for the acquisition, ground leasing and substantial rehabilitation of properties within the neighborhood. The Authority also approved funding in the amount of $8,730,000 to help implement the neighborhood revitalization efforts, including 98 Section 8 Project Based Vouchers (PBV). The Hermosa Village Phase II Project consisted of 112 low-, very-low and extremely-low income units. The Authority subsequently entered into Phases III and IV with the Developer increasing the total affordable units in the project to 517 units. In June 2016, the Authority approved the refinance and resyndication of the Hermosa Village Phase I project which increased the units to 521 completed in February 2018 (see attached location map).

In October 2018, the Authority received a request from the Developer to assist with the refinance and resyndication of the Hermosa Village Phase II Project (New Project). Proceeds from the refinance will be used to substantially rehabilitate aging units, enhance operations, supportive services, ensure long term maintenance and management of the project and pay-off a portion of an existing Housing Authority loan. In support of the project, the Authority will commit to (i) extend the affordability and terms of the ground lease for 57 years; (ii) amend and extend the term of the existing residual receipts loan for 57 years; (iii) extend the PBV contract for 15 years prior to its expiration with some adjustments, including the reduction of the PBV from 43 units to 30 units commencing on the expiration date of the existing PBV contract. The PBV reduction was based on the financial analysis of the project confirming that a reduced level of PBV
Hermosa Village Apartments Phase I
October 16, 2019
Page 2 of 2

is appropriate for the New Project. This reduction will provide the Authority with flexibility to use the PBV in other future affordable housing projects in the City.

The Developer will be applying for 4% Tax Credits through the California Tax Credit Allocation Committee in the approximate amount of $9.5 million and a Multifamily Revenue Bonds allocation through the California Debt Limit Allocation Committee in an amount not to exceed $30 million. The Developer is also requesting an Authority Residual Receipts loan in the amount of $5.7 million.

The Authority must also take action on an Inducement Resolution regarding its intention to issue tax-exempt bond obligations and setting a public hearing to consider the issuance of bonds for the New Project. The public hearing for the Bond Issuance will be considered as a separate agenda item on the City Council Agenda. The action by the City Council authorizes the Anaheim Housing Authority to provide bond financing for the project, as required by State and Federal Law. The proposed action fulfills federal tax law requirements under the Tax Equity and Fiscal Responsibility Act (TEFRA). In order to move the project forward and complete the California Debt Limit Allocation Committee (CDLAC) application process, the Council must approve the Resolution in accordance with Section 147(f) of the Internal Revenue Code. The bonds are to be repaid from project revenues; accordingly there is no risk of default to the City or Housing Authority. The Authority will receive 1/8 of 1% of the bond amount at the time issuance, and on annual basis, to monitor the affordable units.

If the Developer receives a Tax Credit award and Bond Allocation, the Authority will enter into various implementing documents with the Developer per the terms of the Commitment Letter. Any material changes in the terms and conditions as outlined in the Commitment Letter will require review and approval by the Governing Board.

**Attachment:**

Commitment Letter
October 29, 2019

Hermosa Village Phase II Housing Partners, L.P.
c/o The Related Companies of California, LLC
18201 Von Karman Avenue, Suite 900
Irvine, California 92612
Attn: Frank Cardone, President

Re: Commitment Letter to Hermosa Village Phase II Housing Partners, L.P., a California limited partnership (the “New Partnership”) for the New Project (as defined below) at Hermosa Village Phase II, a 112-Unit Affordable Housing Project Located in Anaheim, California, Provided by the Anaheim Housing Authority under TCAC Regulations Section 10325

Dear Mr. Cardone:

The Anaheim Housing Authority (“Authority”) is pleased to present this “Commitment Letter” to the New Partnership that was approved by the Authority after a duly noticed public hearing, which letter is expressly conditioned upon the terms and conditions set forth herein. The final terms of agreement will be set forth in an “Affordable Housing Agreement” prepared by Authority which will encompass the terms set forth herein as well as provisions that are normal and customary for comprehensive affordable housing agreements which are entered into by Authority. The transactions contemplated and described in this Commitment Letter all relate to and are in connection with the New Partnership’s acquisition, refinancing, rehabilitation, operation, maintenance and management of that certain 112-unit multi-family affordable housing project commonly called Hermosa Village Phase II, located at multiple addresses listed on Exhibit A hereto, all of which are located in Anaheim, California (together, “Hermosa Village Phase II”).

Hermosa Village Phase II currently consists of 112 apartments available to and occupied by eligible low income and very low income tenant households along with one (1) on-site manager’s unit, and all ancillary and appurtenant facilities (collectively, the “Project”) located on certain real property situated in Anaheim, California (“Real Property”). The Real Property consists of certain real property owned by the Authority on which the Project is located (“Authority Property”), and currently ground leased by the Authority to Anaheim Revitalization II Partners, L.P., a California limited partnership (“Original Partnership”) under the terms of that certain Ground Lease, dated as of October 1, 2003 entered into by and between the Authority, as lessor, and the Original Partnership, as lessee, the “Authority Ground Lease”), and other instruments entered into between the Authority and the Original Partnership (together, “Original Project Documents”). The Original Partnership owns fee title to all of the improvements constituting the Project (“Current Improvements”) under the Original Project Documents. The Authority made a loan to the Original Partnership in an original principal amount of $7,505,000 (“Authority Loan”) as evidenced by that certain Authority Subordinate Loan Note, dated as of October 1, 2003 made by the Original Partnership in favor of the Authority (“Original
Commitment Letter to Hermosa Village Phase II Housing Partners, L.P  
October 10, 2019  
Page 2 of 12

Note”). As of October 8, 2019, the outstanding balance of the Authority Loan will be approximately $7,260,000 (“Current Authority Loan Balance”). The Original Note for the Authority Loan is secured by the Original Partnership’s leasehold estate in the Authority Ground Lease and the Original Partnership’s fee interest in the Current Improvements as described in that certain Authority Subordinate Loan Deed of Trust dated as of October 1, 2003 made by the Original Partnership in favor of the Authority (“Original Subordinate Deed of Trust”).

The “Authority Subordinate Loan Documents” entered into between the Authority and the Original Partnership include the Original Note and the Original Subordinate Deed of Trust and related instruments.

In connection with the transfer and refinancing of the Project by the Original Partnership to the New Partnership and the rehabilitation of the Project by the New Partnership (the “New Project”), the Authority submits this Commitment Letter in fulfillment of the commitment required under the TCAC Regulations (defined below) and as a component of the New Partnership’s application to the California Tax Credit Allocation Committee (“TCAC”) and is intended to comply with and satisfy the provisions of the TCAC Regulations implementing the federal and state low income housing tax credit laws, California Code of Regulations, Title 4, Division 17, Chapter 1, Section 10300, et seq. (“TCAC Regulations”), in particular Section 10325. The rehabilitation will include, without limitation, the rehabilitation of 112 apartments with updated living rooms, kitchens, bedrooms and bathrooms; converting 5%-10% of units to meet standards of California Building Code Chapter 11B; repairing and updating building exteriors; refreshing landscaping of residential buildings; upgrading ADA path of travel to meet accessibility standards; creating a centralized mail center as required by USPS; refurbishing laundry rooms and pool area; improving site security; renovating the south community building pre-school room; and the creation of an aquaponics facility which will be used as an innovative learning environment for Project residents.

The New Partnership is applying to TCAC for an award and allocation of 4% Tax Credits (“Tax Credits”) in the November 2019 application cycle, and to the California Debt Limit Allocation Committee (“CDLAC”) and for a bond allocation to issue multifamily housing mortgage revenue bonds in an aggregate amount not to exceed $30,000,000 (“Bonds”) also in the November application cycle. If the New Partnership receives the award of Tax Credits from TCAC and the allocation to issue the Bonds from CDLAC, then the New Partnership and the Authority will negotiate and enter into various implementing documents consistent with the terms set forth in this Commitment Letter, including without limitation an Affordable Housing Agreement (“New Project Agreement”), an amended and restated ground lease or new ground lease (“New Project Ground Lease”), an amended and restated or new note and deed of trust evidencing the financial assistance to be provided to the New Partnership by the Authority (“New Loan Documents”) and related contracts and instruments, including affordable housing covenants (together, “New Project Documents”) in implementation of the award of Tax Credits and Bonds and to provide the Authority financial assistance (including without limitation the project-based and tenant-based Section 8 vouchers) all as herein described, which are provided in consideration for the New Partnership’s acquisition, substantial
Commitment Letter to Hermosa Village Phase II Housing Partners, L.P  
October 10, 2019  
Page 3 of 12  

rehabilitation, and long-term ownership, operation, management and maintenance of the Project.

Therefore, related to the foregoing, and subject to all terms and conditions set forth in this Commitment Letter, the Authority hereby agrees as follows:

I. Transfer of the Project. The Authority agrees to approve (a) transfer and conveyance of fee title to the Current Improvements from the Original Partnership to the New Partnership; (b) assignment by the Original Partnership of its right, title and interest in and to the Authority Ground Lease to the New Partnership, and assumption by the New Partnership of the Original Partnership’s right, title and interest in and to the Authority Ground Lease; and (c) assignment by the Original Partnership of its right, title, interest and obligations as borrower of the Authority Loan to the New Partnership, and assumption by the New Partnership of the Original Partnership’s right, title, interest and obligations in and to the Authority Loan subject to the terms and conditions of the New Project Documents. This may be accomplished by an assignment and assumption of the Original Partnership’s interests in the subject property and project, or by termination of the Original Project Documents and execution of the New Project Documents by the New Partnership and the Authority.

II. Ground Lease Extension. Concurrent with the date the New Partnership acquires the Project from the Original Partnership (“Acquisition Date”), the Authority agrees to terminate the Authority Ground Lease and enter into a New Project Ground Lease, and the other New Project Documents with terms including but not limited to the following:

A. The term of the New Project Ground Lease will expire not sooner than 57 years from the date of recordation of a Release of Construction Covenants after completion of the rehabilitation of the Project by the New Partnership (the “Release Date”);

B. The New Project Ground Lease shall provide for residual receipts ground lease payments equal to 70% of net cash flow that will take effect after repayment of the Authority Loan, subject to review by tax counsel and Authority legal counsel; and

C. The New Project Ground Lease will contain provisions customary to ground leases entered into by Authority in connection with Affordable Housing Agreements.

III. Authority Loan for Project. On the Acquisition Date, the Authority Loan will be amended and restated by the Authority and the New Partnership by execution of the New Project Loan Documents and related New Project Documents, as follows:

A. The maturity date of the Authority Loan shall be extended to 57 years from the Release Date.

B. The Original Partnership shall pay the “Authority Loan Paydown Amount” to the Authority, which shall be immediately applied by the Authority against the Current Authority Loan Balance. Upon payment of the Authority Loan Paydown Amount and
its application against the Current Authority Loan Balance, the estimated principal balance of the Authority Loan owed by the New Partnership upon its assumption of the Authority Loan will be approximately $5,730,000, which represents the subsidy the Authority will be providing to the New Partnership. For purposes hereof, the Authority Loan Paydown Amount is currently estimated at $3,117,736. The actual Loan Amount Paydown shall reflect the amount owed at the time of paydown date. The Authority and New Partnership acknowledge that any lower amount must be approved and agreed to by the Authority Executive Director in his sole and absolute discretion. The Authority and the New Partnership acknowledge the actual amount of the Authority Loan Paydown Amount cannot be determined with specificity until certain variables associated with the completion of the rehabilitation of the Project and the Final Financing Plan therefor (as defined herein) have been determined. Accordingly, at least forty-five (45) days prior to the Acquisition Date, the New Partnership shall submit to the Authority Executive Director a final financing plan with reasonable and complete supporting documentation for the New Project (“Final Financing Plan”) that shall set forth the final amount of the Authority Loan Paydown Amount and the full details of such financing, which shall be reasonably consistent with New Project ProForma (as defined and described in Section 10.). The Final Financing Plan shall be subject to the approval of the Authority Executive Director in his sole and absolute discretion and provided within fifteen (15) business days of receipt of a complete submittal to Authority of the Final Financing Plan by the New Partnership. Any disapproval of the Final Financing Plan by the Authority shall be accompanied by a written narrative describing, in reasonable detail, the specific reasons for disapproval. The Authority and the New Partnership shall work together in good faith and with due diligence toward resolution of any disapproval by the Authority in time to permit the New Partnership to acquire the Project by the Acquisition Date; provided, however, nothing herein shall restrict the Authority Executive Director’s sole and absolute discretion in his review and approval of the Final Financing Plan.

C. Commencing on the permanent loan conversion date of the Primary Loan for the New Project and conditioned upon the Authority’s provision of the Extended HAP Contract (as defined in Section 4. below) and subject to applicable federal, state and local laws and regulations therefor (including without limitation, the Section 8 Tenant-Based Assistance: Housing Choice Voucher and Project-Based (PBV) Voucher Programs, 42 U.S.C. 1437f and 3535(d), and the implementing regulations therefor in the Code of Federal Regulations, Parts 982 and 983 (together “Section 8 Laws”), the New Partnership will pay to the Authority on an annual basis, in arrears, the “PBV Section 8 Overhang Payment”, which will be calculated as the revenue actually received in the prior Fiscal Year (which shall be defined as the calendar year) by the New Partnership on the 30 apartment units covered by the Extended HAP Contract (“Section 8 PBV Units”), less (i) the tax credit rents applicable to the Section 8 PBV Units in the New Project as permitted by TCAC, less (ii) the authorized property management fee payable with respect to the Section 8 PBV Units, less (iii) the vacancy factor associated with the Section 8 PBV Units, less (iv) debt service paid for the Section 8 PBV Debt. For purposes hereof, “Section 8 PBV Debt” means the permanent loan supported by the “Section 8 PBV Overhang” associated with the Extended HAP Contract. The Authority shall apply each PBV Section 8 Overhang Payment against amounts outstanding on the Authority Loan, applying such payments first to interest due and then to principal.
Commitment Letter to Hermosa Village Phase II Housing Partners, L.P
October 10, 2019
Page 5 of 12

D. The percentage of net cash flow payable by the New Partnership to the Authority on account of the Authority Loan shall be 50% of net cash flow of the New Project after repayment in full of any deferred developer fee in excess of the amount of developer fee projected to be deferred as of the construction loan closing (the “Excess Developer Fee”), and then increasing to 70% of net cash flow after repayment of all deferred developer fee. The definition of net cash flow will be amended under the New Project Documents to include the PBV Section 8 Overhang Payment (as defined in subsection 3.(c) above) and Excess Developer Fee as an “operating expense” of the New Partnership and shall be subject to terms consistent with and equivalent to the recent Hermosa Village Phase I Affordable Housing Agreement between the Authority and an affiliate of the Related Companies of California ("Related"), specifically including and substantially comparable to both (but making proper accommodations for deal-specific differences and the terms set forth in this Commitment Letter).

E. The terms of the Authority Loan will include other modifications to the Original Note to include without limitation the following terms:

1. 4% simple interest per annum commencing on the Acquisition Date;

2. Continue the second lien position subordinate only to the Primary Loan/Bonds and the deeds of trust and regulatory agreements associated therewith, with the terms and conditions of subordination and affirmation of subordination reasonably approved by the Authority Executive Director;

3. Repayment from 50% of Residual Receipts prior to payment of all Excess Developer Fee and then 70% after payment of all deferred Developer Fee, 70% of Refinancing Net Proceeds, and 70% of Transfer Net Proceeds (defined consistent with the Hermosa Village AHA) and 100% of Project Based Section 8 Overhang Payments;

4. Remaining principal and accrued interest, if any, due on the date which is 57 years from the Release Date or earlier upon non-permitted sale, non-permitted refinancing, or default of the Authority Loan or the New Project Ground Lease; and

5. Cost savings from the New Project, if any, will be applied to pay down the Authority Loan subject to compliance with the TCAC Regulations.

IV. Consent to Assignment of Existing HAP Contract; Authority to Enter into Extended HAP Contract with Reduction in Project-Based Vouchers and Addition of Tenant-Based Vouchers.

A. The Section 8 Law, in particular CFR §983.205(b) provides:

“Extension of term. A PHA [Authority] may agree to enter into an extension … before expiration of the [existing] contract, for an additional term of up to 15 years if the PHA determines an extension is appropriate to continue providing affordable housing for low-income families. A HAP contract extension may not exceed 15 years. A PHA may provide for multiple
extensions; however, in no circumstance may such extensions exceed 15 years, cumulatively."

B. In this regard, the Authority acknowledges that the Authority and the Original Partnership entered into a Housing Assistance Payment Contract with an effective date of May 1, 2008 and an initial term of ten (10) years, as subsequently extended to 2020, under which the Authority provides the Original Partnership with project-based Section 8 payments for 43 apartment units in the Project ("Existing HAP Contract").

C. Section 19 of Part 2 of the Existing HAP Contract sets forth the conditions and requirements for the transfer and assignment of such Existing HAP Contract, which will occur in this transaction by the Original Partnership to the New Partnership. By this Commitment Letter the Authority consents to such transfer and assignment of the Existing HAP Contract by the Original Partnership to the New Partnership as of the Acquisition Date but expressly subject to the Original Partnership and the New Partnership entering into an assignment and assumption agreement that complies with the Section 8 Law and is in a form reasonably acceptable to the Authority Executive Director prior to the Acquisition Date.

D. Based on the Authority having undertaken and completed underwriting, subsidy-layering review and overall evaluation of the feasibility of the New Project pursuant to the Section 8 Law and other applicable laws, by and under this Commitment Letter, the Authority, agrees to extend, concurrent with Acquisition Date, the Existing HAP Contract by an additional fifteen (15) year term subject to the terms below. The 15-year extension is expressly conditioned upon the Authority continuing to provide only thirty (30) units with project-based Section 8 payments (a reduction of 13 units from the 43 units under the Existing HAP Contract) commencing on the date the Existing HAP Contract is extended for 15 years ("Extended HAP Contract"). The Authority agrees to execute and deliver concurrent with the Acquisition Date, the Extended HAP Contract (through an amendment to or amended and restated contract) to the New Partnership for such thirty (30) project-based units in the New Project for the extended 15-year term, all subject to the Section 8 Law and other applicable federal laws and regulations. Further, the Authority agrees that concurrent with the effective date of the Extended HAP Contract it will provide to the 13 tenant households in the New Project (who previously received assistance under the Existing HAP Contract but who do not receive project-based assistance under the Extended HAP Contract) portable, tenant-based Section 8 certificates ("Tenant-Based Vouchers"). Rents payable by the Authority under the Tenant Based Vouchers will be equal to the Section 8 rents payable under the Extended HAP Contract.

V. Affordability Restrictions. The income and rent restrictions for tenant households and occupancy in the New Project shall be maintained as set forth in that certain Regulatory Agreement, dated as of October 1, 2003, by and between the Authority and the Original Partnership and recorded against the Real Property in the Official Records of Orange County, California on October 23, 2003 as Instrument No. 2003001305932, in connection with preparation and completion of the New Project Documents to be entered into between the Authority and the New Partnership prior to concurrent with the Acquisition Date ("Regulatory Agreement").
An amendment to the Regulatory Agreement will be prepared by Authority including, without limitation, an extension of the term of restrictions to run not earlier than the 57th anniversary of the issuance of a Release of Construction Covenants following completion of the construction activities to be performed by the New Partnership.

VI. Developer Fee. Subject to compliance with the TCAC Regulations, the New Partnership will be entitled to pay the developers of the New Project a developer fee in the amount not to exceed $3,000,000, which developer fee shall be payable in cash with no deferral requirement.

VII. Issuance of the Bonds; Inducement Resolution and TEFRA Hearing and Resolution. Authority or the City of Anaheim will act as bond issuer with respect to the tax exempt Bonds to be issued to finance the acquisition and rehabilitation of the New Project. In connection therewith, first, of even date with this Commitment Letter the Authority considered and approved at an open meeting the inducement resolution; and, secondly, on October 29, 2019, the City Council of the City of Anaheim held a public hearing, referred to as a TEFRA hearing, and after such hearing the City Council took action on the TEFRA resolution, all pursuant to Section 147(f) of the Internal Revenue Code of 1986.

VIII. Scope of Social Services; Aquaponics. The New Partnership agrees hereunder and agrees under the New Project Documents it will continue to provide the social services currently provided by the Original Partnership at the Project (the “Social Services”) for the term of the New Ground Lease, which are a material part of the consideration to Authority under this Commitment Letter and the New Project Documents. The New Project Documents shall specify the Social Services to be provided by the New Partnership at the New Project by reference to the type of service and frequency/duration of availability of such service.

The New Partnership will build an aquaponics facility which will be used as an innovative learning environment for Project residents. The Partnership will partner with Project Access to provide programming for the aquaponics area for a to-be-negotiated fee.

IX. Scope of Renovations; Parking Congestion. The Partnership shall work in good faith, with City and Authority and shall use commercially reasonable efforts to cause the scope of the construction, rehabilitation and renovation work at the New Project to include, without limitation, improvements to alleviate the existing onsite parking congestion issues, subject to the budget requirements of the New Project. The New Partnership agrees to investigate whether the vacant lot adjacent to the Property located at the corner of Cerritos and Walnut would be a suitable location for development of additional community space to serve the New Project.

X. New Project ProForma. The financial terms associated with the New Project, including without limitation the estimated Authority Loan Paydown Amount, the estimated operating expenses, the estimated Residual Receipts payments to the Authority, and the estimated Project-Based Section 8 Overhang Payment associated with the New Project owned, operated and managed by the New Partnership, have been identified in this Commitment Letter, and this Commitment Letter is provided by the Authority, in reliance, and based on the Authority’s review.
of the development proforma and projected cash flows for the New Project dated as of August 21, 2019 and prepared by Related on behalf of the Original Partnership and the New Partnership and submitted by authorized representatives of Related to Authority ("ProForma").

XI. **Other Terms.** The Authority's obligations to provide the Authority Loan to the New Partnership for the New Project are subject to each and all of the following conditions:

   A. The unit mix and income affordability mix of the New Project shall be identical to the existing Project. Further, all housing units at the New Project shall be restricted as set forth herein and in the New Project Documents for a minimum term continuing until not earlier than the 57th anniversary of the recording of a Release of Construction Covenants for improvements undertaken by the New Partnership under a new Regulatory Agreement or amendment to the existing Regulatory Agreement, which instrument shall be recorded against the New Project in the Official Records, County of Orange, California.

   B. As and if applicable, the New Partnership will comply with the federal Davis-Bacon Act and California Labor Code Section 1720, *et seq.*, relating to prevailing wages ("Prevailing Wage Laws"); in this regard, the Authority and the New Partnership understand that such laws and regulations include exemptions that may apply to the New Project, but under the New Project Documents, the New Partnership will assume responsibility for and indemnify the Authority (and City) relating to the Prevailing Wage Laws as such may be applicable to the New Project. Notwithstanding the foregoing, New Developer intends to structure the transaction so as not to trigger the federal Davis Bacon Act or Section 3 and Authority agrees to cooperate with New Developer’s efforts in this regard. New Developer shall be solely responsible for compliance with federal and state laws, rules and regulations relating to construction of the New Project.

   C. The New Partnership shall submit and obtain Authority's reasonable approval of (i) the construction contract with its general contractor (including the requirements to be satisfied by its subcontractors thereunder) relating to the rehabilitation of the New Project, (ii) the limited partnership agreement for the New Partnership that will own and operate the New Project, (iii) management, scope and funding for all required supportive services to be provided by and through the New Partnership at the New Project, and (iv) the marketing and tenant selection plans for the New Project.

XII. **Authority Executive Director Authorization to Execute this Commitment Letter and to Prepare and Execute the New Project Documents with Terms and Conditions Consistent with this Commitment Letter.** After a duly noticed public hearing about ground leasing Authority-owned real property and the terms of this Commitment Letter, and by its consideration and action to approve this Commitment Letter, the Authority has authorized its Executive Director to sign this Commitment Letter on behalf of the Authority. Further the Authority Executive Director is authorized to cause to be prepared and executed the New Project Documents (including the Extended HAP Contract) in implementation of this Commitment Letter so long as the terms and provisions of such implementing
agreements and instruments that will comprise the New Project Documents (including the Extended HAP Contract when prepared) are substantially consistent with this Commitment Letter.

Further, the Authority Executive Director (or his duly authorized representative) is authorized to implement the New Project Documents and take all further actions and execute all documents referenced therein and/or necessary and appropriate to carry out the transaction contemplated by this Commitment Letter, and thereafter the New Project Documents, including all exhibits thereto. To the extent necessary during the implementation hereof and thereof, the Executive Director is authorized to make technical or minor changes and interpretations of this Commitment Letter and the New Project Documents, as necessary to properly implement and carry out the New Project provided any and all such changes shall not in any manner substantially affect the rights and obligations of the Authority under this Commitment Letter, and the New Project Documents.

In addition, the Executive Director is authorized, on behalf of the Authority, to sign all other documents necessary or appropriate to carry out and implement this Commitment Letter and the New Project Documents, including all exhibits thereto and including causing the issuance of warrants in implementation thereto, and to administer the Authority’s obligations, responsibilities and duties to be performed thereunder so long as substantially consistent with this Commitment Letter and the New Project Documents. Any and all substantial changes to this Commitment Letter or to the terms and provisions of the implementing agreements and instruments set forth in the New Project Documents shall require the consideration and action of the Authority Board.
This Commitment Letter is conditioned upon the preparation, execution and delivery of legal documentation, in form and substance reasonably satisfactory to the Authority and the New Partnership incorporating substantially the terms and conditions outlined or referred to hereinabove.

Should you have any questions or require additional information, please contact Grace Stepter, Deputy Director at (714) 765-4315 or by email at gstepter@anaheim.net.

ANAHEIM HOUSING AUTHORITY,
a public body corporate and politic

By: _______________________
    John E. Woodhead IV
    Executive Director

AGREED AND ACCEPTED
this 29 day of October, 2019:

HERMOSA VILLAGE PHASE II HOUSING PARTNERS, L.P.

By: Related/Hermosa Village Phase II Development Co., LLC,
a California limited liability company

By: _______________________
    Frank Cardone, President
Exhibit A

Property Addresses

- 1226 Cerritos Ave
- 1300 Cerritos Ave
- 1312 Cerritos Ave
- 1318 Cerritos Ave
- 1330 Cerritos Ave
- 1334 Cerritos Ave
- 1531 Hampstead St
- 1537 Hampstead St
- 1542 Hampstead St
- 1613 Hampstead St
- 1625 Hampstead St
- 1626 Hampstead St
- 1211 Lynne Ave
- 1223 Lynne Ave
- 1229 Lynne Ave
- 1319 Lynne Ave
- 1337 Lynne Ave
- 1524 Ninth St
- 1530 Ninth St
- 1600 Ninth St
- 1612 Ninth St
- 1618 Ninth St
- 1624 Ninth St
Sincerely,

John E. Woodhead IV,
Housing Authority Executive Director

cc: Grace Stepter, Deputy Director
    Andy Nogal, Community Investment Manager