



City of Anaheim

ANAHEIM HOUSING AUTHORITY

Date: April 29, 2021

The attached documents relate to the following item published in the Anaheim Bulletin on April 29 and May 6, 2021:

**CITY COUNCIL OF THE CITY OF ANAHEIM
AND ANAHEIM HOUSING AUTHORITY
NOTICE OF JOINT PUBLIC HEARING
REGARDING THE PROPOSED SALE OF CERTAIN REAL PROPERTY
AND PROPOSED GROUND LEASE OF CERTAIN REAL PROPERTY
LOCATED AT SOUTHEAST CORNER OF BEACH BOULEVARD AND LINCOLN
AVENUE**

Please note the scope of the joint public hearing will be reduced to include only the Preliminary Award Letter between the Housing Authority and Developer (Greenlaw 39 Commons Beach, LLC). At a later date, the proposed Development and Disposition Agreement outlined in the public notice will be noticed separately and considered separately by the Governing Board of the Housing Authority at a future public hearing.

The documents attached to this disclosure include the Preliminary Award Letter and accompanying Section 33433 disclosure and summary report.

Please contact the project manager, Kevin Clausen-Quiroz at kclausen@anaheim.net or (714)765-4306 with any questions.

City Hall West

201 S Anaheim Blvd, Second Floor

Anaheim, CA 92805



City of Anaheim
ANAHEIM HOUSING AUTHORITY

May 18, 2021

Robert G. Mitchell
Greenlaw 39 Commons Beach, LLC
18301 Von Karman Avenue, Suite 250
Irvine, CA 92612

Re: **Preliminary Award Letter by the Anaheim Housing Authority as a Commitment to Provide Certain Financial Assistance and Site Control through a Ground Lease for Construction, Development, and Long-Term Operation of a 100-Unit Affordable Housing Project on a 1.796-Acre Site Located at 212 S. Beach Boulevard, Anaheim, California pursuant to (1) California Code of Regulations, Title 4, Division 17, Chapter 1, Section 10325, (2) Affordable Housing and Sustainable Communities (AHSC) Program Guidelines, and (3) Infill Infrastructure Grant (IIG) Program Guidelines, All in Connection with Certain Applications by the Developer to (a) the California Tax Credit Allocation Committee (TCAC) for a Reservation of 4% Tax Credits, (b) the California Debt Limit Allocation Committee (CDLAC) for an Award and Allocation for the Authority to Issue Multi-Housing Revenue Bonds, and (c) the State of California, Housing and Community Development Department (HCD) for Awards of (i) AHSC Program Funding, and (ii) IIG Program Funding**

Dear Mr. Mitchell:

This Preliminary Award Letter (“Award Letter”) is dated as of May 18, 2021 (“Date of Award Letter”) and is issued to *Greenlaw 39 Commons Beach, LLC*, a California limited liability company (“Developer”), by the Anaheim Housing Authority¹ (“Authority”). Herein, each of the Authority and Developer is a “Party” and together the “Parties”. This Award Letter sets forth the basic terms between the Parties to fulfill the requirements for the commitment of certain funds (“Authority Assistance” as hereinafter defined) and “site control” for construction, development, and operation of a certain Project (defined herein) as required by the following governmental agencies: (1) California Tax Credit Allocation Committee (“TCAC”) and its Tax Credit Rules², in particular California Code of Regulations,

¹ The Authority is a public body corporate and politic organized and existing pursuant to the California Housing Authorities Law, Health and Safety Code Section 34200, *et seq.* (“HAL”) and serves as the housing successor to the former Anaheim Redevelopment Agency pursuant to Health and Safety Code Section 34170, *et seq.*, in particular Sections 34176 and 34176.1, (“Dissolution Law” or “Housing Successor Law”). The City of Anaheim is a California municipal corporation and charter city (“City”); and in Preliminary Award Letter, the City and the Authority may be referred to together as “Anaheim”.

² “Tax Credit Rules” shall mean Section 42 of the Internal Revenue Code and/or California Revenue and Taxation Code Sections 17057.5, 17058, 23610.4 and 23610.5 and California Health and Safety Code Section 50199, *et*

Title 4, Division 17, Chapter 1, Section 10325; (B) California Debt Limit Allocation Committee³ (“CDLAC”), (c) State of California, Department Housing and Community Development (“State HCD”) under (i) the Affordable Housing and Sustainable Communities program⁴, and (ii) Infill Infrastructure Grant program⁵. Under their respective program requirements (Tax Credit Rules, CDLAC, AHSC, and IIG), TCAC and State HCD require “site control” by Developer of the subject real property, which is intended to be evidenced by this Award Letter as further described herein.

The “Authority Assistance” committed by the Authority to the Developer under this Award Letter includes: (1) the “Ground Lease”, conveying a long-term leasehold interest of certain real property owned in fee by the Authority that is approximately 1.796 acres and located at 212 South Beach Boulevard, Anaheim, California 92805 (“Site”), and (2) the “Authority Loan” described in Section 8.1, in the amounts described in subparagraphs 8.1 (a)-(d), inclusive. The Authority Assistance, both the Ground Lease and Authority Loan, is further described herein and in the implementing Affordable Housing Agreement (“AHA”) and subject to all terms and conditions herein and therein.

1. Term of Award Letter. This Award Letter shall expire automatically on the *earliest* to occur of (i) December 31, 2022, or (ii) Developer’s failure to satisfy the Award Letter Condition Precedent (defined below) (“Letter Expiration Date”), at which time the terms set forth herein shall be null and void, unless prior to the Letter Expiration Date this Award Letter is amended and extended in writing by the Authority Executive Director and the Executive Director of the City of Anaheim (“City”) Community & Economic Development Department (together, “Executive Director”), which decision to amend and extend, or not, is and shall remain in the sole and absolute discretion the Executive Director.

2. Assignment by Developer to 39 Commons Beach Affordable, LP.

2.1 Developer Obligation to Assign Award Letter to Single Entity.
In connection with implementation of this Award Letter, the AHA, the Ground Lease, and the applications to State HCD, TCAC, and CDLAC for funding approvals, the Developer must form and assign this Award Letter to a new limited partnership entity. Developer has informed the Authority that the new entity will be called *39 Commons Beach Affordable, LP*, a California limited partnership, of which Affordable Housing Access, a California non-profit public benefit corporation, or its wholly owned subsidiary or affiliate (“Non-Profit”), is the

seq., as applicable, as the foregoing may be amended from time to time, and the rules and regulations implementing the foregoing, including Title 4 Cal Code Regs Section 10300, *et seq.*

³ Division 1, Chapter 11.8 of the California Government Code, Section 8869.80, *et seq.* and the implementing regulations in Title 4, Cal Code Regs Section 5000, *et seq.* <https://www.treasurer.ca.gov/cdlac/> (together, CDLAC”).

⁴ Division 44, Part 1 of the California Public Resources Code (“PRC”), Section 75200, *et seq.* and the implementing AHSC Program Guidelines, <https://www.hcd.ca.gov/grants-funding/active-funding/ahsc.shtml#purpose> (together, “AHSC”).

⁵ Division 31, Part 12 of the California Health and Safety Code, Section 53545.13, *et seq.* and the implementing IIG Proposition 1 Guidelines, <https://www.hcd.ca.gov/grants-funding/active-funding/iig.shtml#guidelines> (together, “IIG”).

managing general partner. The new entity may also include *39 Commons Beach Affordable Housing, LLC*, a California limited liability company, as a partner so long as the Non-Profit is the managing general partner. The new entity is referred to as the 39 Commons Affordable Developer in the DDA (defined in Section 7.1).

(a) Developer shall cause and complete the assignment of this Award Letter to the new entity, 39 Commons Beach Affordable, LP, as a condition precedent and prior to Developer submitting applications to State HCD, TCAC and CDLAC for the funding sources described in Sections 4 and 5 below.

(b) Developer shall provide the assignment and assumption agreement to the Authority and its legal counsel for review prior to execution of such instrument. Once executed and recorded in the Official Records, the assignee Developer entity shall submit evidence of the formation of the new entity as filed with the Secretary of State; and thereafter, wherever the term Developer is used herein, it shall mean 39 Commons Beach Affordable, LP, of which Affordable Housing Access, a California non-profit public benefit corporation (or wholly owned subsidiary or affiliate) is the managing general partner.

3. Affordable Housing Agreement with Ground Lease. Developer has applied to the Authority for issuance of this Award Letter, and subject to the satisfaction of the Award Letter Condition Precedent (defined below) and certain additional conditions precedent described herein, desires to implement this Award Letter and enter into (i) the AHA, and (ii) the Ground Lease for the Site for a term of 57 to 58 years (unless a longer term is required by State HCD but not longer than 60 years.) The complete terms, conditions, and provisions of the AHA and Ground Lease will be negotiated and entered into between Authority and Developer at a time concurrent with (a) the closing of Developer's construction financing, (b) entering into a limited partnership agreement between Developer and its tax credit equity investor, and (c) related actions for commencing construction of the Project (together, "Closing of Financing"). If the Award Letter Condition Precedent is satisfied by Developer, then under the AHA and Ground Lease Developer will construct, operate, manage, and maintain on the Site a new multi-family rental affordable housing development consisting of one hundred (100) apartment units with ancillary amenities and improvements for tenancy/occupancy by qualified Extremely Low, Very Low, and Low Income (defined herein) households at an Affordable Rent (defined herein) with no units being restricted on the basis of age (collectively, the "Project"). The unit mix of income and rent levels for 99 units at the Project shall include not less than twenty (20) Extremely Low Housing Units (< 30% AMI), not less than thirty-seven (37) Very Low (2 units < 40% AMI and 35 units < 50% AMI), and not more than forty-two (42) Low Income (< 60% AMI) Housing Units to be leased to income-qualified tenants at an Affordable Rent (as further described and defined herein), and the one remaining unit designated as a "Manager's Unit" in accordance with applicable TCAC requirements.

4. Award Letter Condition Precedent. Developer shall apply for and use diligent good faith efforts to pursue the funding sources for the Project described in 4.1 below, and if all such funding is not obtained in 2021, then the funding sources described in Section 4.2

below. The applications for and award of such funding sources shall constitute the "Award Letter Condition Precedent" referred to herein, and may be satisfied in 2021 through the award of the funding sources described in Section 4.1, or in 2022 through the funding sources described in Section 4.2.

4.1 2021 Applications for Project Funding.

(a) Developer shall apply for and obtain funding (each and all awarded in calendar year 2021) as follows:

- (i) A reservation of 4% federal Tax Credits awarded by TCAC to Developer, paired with,
- (ii) An allocation and authorization by CDLAC for the Authority to issue tax-exempt multi-family housing revenue bonds ("Bonds"), and
- (iii) An award under the AHSC Program by State HCD, and
- (iv) An award under the IIG Program by State HCD.

4.2 2022 Applications for Project Funding. If the awards described in Section 4.1 (a)(i)-(iv) do not occur during 2021, then

(a) Developer shall apply for and obtain funding (each and all awarded in calendar year 2022) as follows:

- (i) A reservation of 4% federal Tax Credits awarded by TCAC to Developer, paired with,
- (ii) An allocation and authorization by CDLAC for the Authority to issue Bonds, and
- (iii) An award under the AHSC Program by State HCD, and
- (iv) An award under the IIG Program by State HCD.

4.3 Potential for Developer Application to TCAC in the 2022 Final Round for Reservation of 9% Tax Credits. In the event that the requisite funding awards described in Section 4.2 (a)(i)-(iv) are not obtained based on Developer's applications in 2022, then upon request of Developer to the Authority the Parties may enter into negotiations toward mutually agreed terms and conditions of an amendment to this Award Letter (or an amended and restated award letter) so that Anaheim might authorize Developer to apply to TCAC in in the final round and application process in 2022 seeking a reservation of 9% Tax Credits to undertake the Project; provided however, this Award Letter and each and any decision to amend, or not, shall be presented to the Anaheim Housing Authority Board ("Authority Board") and Anaheim City Council ("City Council") at a duly noticed meeting and hereby the Authority Board (and thereby City Council) hereby reserve sole, independent discretion and judgment to approve, or disapprove, each and any amendment that may

allow Developer to make application for a reservation of 9% Tax Credits as a part of the funding for the Project.

(a) The Parties acknowledge that 9% Tax Credits will require at that time an updated and complete evaluation of the scope of the Project, including potential for change in design, number of units, unit mix with income and affordable rent levels, funding source(s), and a Financial Gap Analysis (defined in Section 14).

(b) In connection thereto, the Parties are not obligated to reach agreement on such an amendment and this Award Letter will not be further implemented without such amendment (or amendment and restatement). Developer and Authority agree to negotiate in good faith toward such amendment of this Award Letter; provided however, their decisions, respectively, shall be and remain in the sole and absolute discretion of each deciding Party and, as to Anaheim, such amendment shall be presented to the Authority Board and City Council as a condition precedent to such amendment.

5. Developer Funding Applications. In furtherance of Developer seeking to meet the Award Letter Condition Precedent, Developer agrees to prepare and submit a series of applications during calendar year 2021, and, if applicable calendar year 2022, for the following funding in the amounts more particularly itemized in the April 28 Proforma (defined in Section 10):

5.1 State of California.

(a) Department of Housing and Community Development (“HCD”) for:

(i) In connection with the 2021 (or 2022) annual application process funding under the AHSC Program (<https://www.hcd.ca.gov/grants-funding/active-funding/ahsc.shtml>) (“AHSC Funding”), together with

(ii) In connection with the 2021 (and 2022) annual application process funding under IIG Program (<https://www.hcd.ca.gov/grants-funding/active-funding/iigp.shtml>), together with

(b) TCAC for Tax Credits seeking a reservation of 4% Tax Credits in connection with TCAC’s 2021 (or 2022) schedule and application process, together with

(c) CDLAC for Bonds seeking an allocation to issue multi-family housing revenue Bonds in connection with CDLAC’s 2021 (or 2022) schedule and application process.

(d) In the event based on Developer applications in 2022 awards under Section 4.2 above do not occur, then to TCAC for Tax Credits seeking a reservation of 9% Tax Credits in connection with the last round application and process in 2022, subject to the terms and conditions of an amendment, or amendment and restatement, of this Award Letter, as described in Section 4.3 above.

5.2 Site Control.

(a) By this Award Letter and pursuant to TCAC Rules, AHSC Guidelines, and IIG Proposition 1 Guidelines, the Authority intends to provide the Developer “site control” of the Site under the Ground Lease, subject to satisfaction of the Award Letter Condition Precedent and the terms and conditions herein, including:

(i) Tax Credit Rules: California Code of Regulations, Title 4, Division 17, Chapter 1, Section 10325;

(ii) AHSC Guidelines

(A) Section 106(a)(11): “The applicant or Developer of the Project must demonstrate Site Control sufficient to ensure the timely commencement of the Project as determined by the Department.”

(B) Appendix A Definitions, subparagraphs “Developer”, “Regulatory Agreement” and “Site Control”, sub-subparagraphs:

(1) “(2) ...provided that the terms and conditions of any proposed lease shall permit, prior to grant funding, compliance with all program requirements;

(2) “(6) [a]n executed agreement with a public agency that gives the applicant exclusive rights to negotiate with the agency for the acquisition of the site; provided that the major terms of the acquisition have been agreed to by all parties[.]”

a. In this regard, for the AHSC Funding application, by this Award Letter the Authority represents that it is not in negotiations with or under contract with any other third party excepting Developer as to the Site and the Project.

(3) “(8) Other forms of site control that give the Department assurance (equivalent to 1-7 above) that the applicant or Developer will be able to complete the Project and all housing designated in the application in a timely manner and in accordance with all the requirements of the Program.”

(iii) IIG Guidelines. The IIG Guidelines have closely identical provisions, but with different numbering format, to the above-cited AHSC provisions, including Section 302 Definitions:

(A) “(i) Developer”

(B) “(j) Eligible Applicant”

(C) “(ff) Site Control” (same wording as AHSC) but subparagraphs (2), (7) (9).

(1) In this regard, for the IIG Funding application, by this Award Letter the Authority represents that it is not in negotiations with or under contract with any other third party excepting Developer as to the Site and the Project.

6. Land Use Entitlement. As of the date of this Award Letter, Developer had previously submitted to the City of Anaheim (“City”) its application for the discretionary land use entitlements for development and operation of the Project on the Site, including: Beach Boulevard Specific Plan, including the EIR No. 350 (SCH No. 20170411042), MMRF No. 342, Final Site Plan No. 2020-00003, Miscellaneous Case No. 2020-00746, Conditional Use Permit No. 2021-06102, and Tentative Tract Map No. 19022. Further, as a part of that application, Developer sought and received a density bonus, including incentives, concessions, and modified parking standards, pursuant to the State Density Bonus Law, California Government Code Section 65915, *et seq.* and the City’s implementing density bonus ordinance, Chapter 18.52, *et seq.* of the Anaheim Municipal Code (together, “DBL”). The application and series of discretionary decisions, including the density bonus, for the Project are referred to as the “Land Use Entitlement”. The Land Use Entitlement also includes the discretionary approvals for the Retail Component and the For-Sale Townhome Component as set forth in the DDA described in Section 7.1.

6.1 Density Bonus Implementation. In connection with implementation of the Land Use Entitlement, Developer, with the written consent of the Authority, as applicable, shall prepare and submit to the City and Authority for approval by the City Attorney the documents to implement the DBL, including the Housing Incentives Agreement required by Anaheim Municipal Code Section 18.52, *et seq.*, the City/Developer Density Bonus Agreement (both of which shall be recorded in the Official Records in non-subordinate, senior lien priority), the Development Plans, including plans and specifications, for review and approval by the City’s Building Plan Check process, and implementation of the conditions of approval for the Land Use Entitlement in connection with construction of the Project in compliance with and subject to the City’s development standards, zoning, other laws and regulations, and the requirements of the AHA.

7. Description of Project.

7.1 39 Commons DDA. The Project may be a part of an overall mixed-use development that may be the subject of a certain *Disposition and Development Agreement* (“DDA”) proposed to be negotiated and entered into between the Developer and the Authority, which mixed-use project may include development of a “Retail Component” and a “For-Sale Townhome Component” as such terms may be defined in the DDA and by which this Project may be referred to as the Apartment Affordable Component. As of the Date of Award Letter, the DDA has not been presented to, considered by, or approved or disapproved by the Authority Board (or, as and if applicable, the City Council). In this regard, the Authority reserves all rights, independent judgment, and sole, absolute discretion on a DDA, if ever presented, for consideration and action at a duly noticed public hearing and open public meeting at which such DDA may be approved or disapproved, with no pre-judgment therefor.

7.2 Affordable Housing Project. The Project will include the one hundred (100)-unit affordable housing apartment complex (together, "Housing Units" and each a "Housing Unit"), comprised of a five (5)-story residential building, wrapping around a multi-level parking garage with 195 parking spaces, with Housing Units ranging in size from 651 square feet to 1,060 square feet, subject to site plan review, public hearing(s), and community input undertaken for the Land Use Entitlement. As of the Date of Award Letter and subject to the Land Use Entitlement and all conditions of approval thereto, the Project will include twenty (20) one-bedroom units, forty (40) two-bedroom units, and forty (40) three-bedroom units, including one of the 40 2-bedroom units will be the Manager's Unit for occupancy by an on-site manager, which unit is unrestricted as to income and rent. As specified in the Land Use Entitlement and the "Development Plans" (as defined, processed and approved under the requirements of the Anaheim Municipal Code and the AHA.) A portion of the upper deck of the parking structure will be developed with Project amenities, sports court(s), passive seating, and recreation areas. A public art element shall be included in a design and manner approved the Executive Director. The leasing and management offices will be located on the ground level. A community room will be provided within the building for social services and a gym for health and fitness activities.

(a) **Minimum Recreation/Leisure area.** Developer agrees the Project shall have a minimum of 23,530 square feet of "Recreation/Leisure" area(s) that shall be provided throughout the Site. A minimum of 15,670 Square feet of the 23,530 square feet shall be located in the upper deck area.

7.3 Shared Parking in Parking Structure. Within the parking structure approximately thirty-five (35) spaces will be available as shared parking to certain guests, users, patrons to the Project. The terms and conditions related to such shared or joint use parking shall be set forth in a certain parking management, joint use, or reciprocal parking agreement(s) to be entered into among the Authority, City, the original Developer of this Project, and if applicable, the original Developer of the Retail Component and For-Sale Townhome Component, subject to applicable requirements of the Tax Credit Rules and the City's Density Bonus ordinance and implementing requirements therefor.

8. Anaheim Assistance.

8.1 Authority Loan. Subject to the conditions described herein, the original principal amount of the Authority Loan will be not less than \$7,500,000, which will be evidenced by the Authority Loan Note and secured by the Authority Loan Deed of Trust. The "Authority Loan Amount" shall be the cumulative total of the following (a)-(d): (a) \$6,060,000, which is the appraised value of the ground leasehold interest in the Site to be conveyed by the Authority to Developer under the Ground Lease, plus (b) the cumulative fees, costs and expenses incurred by Anaheim (both Authority and City) for preparation of the Site for the Project incurred during the period October 11, 2001 to the date of Closing of Financing, such as but not limited to relocation, environmental assessment, clearance, remediation, contractors, subcontractors, engineering, consulting and other professional services, but excluding in-house staff time, plus (c) Anaheim's third party attorneys' fees

and costs incurred during the period commencing on May 18, 2021 (Date of Award Letter) and ending on the date of the Closing of Financing, plus (d) the Transportation Fee. The Authority Loan is a part of the financing for, and to facilitate, the planning, design, construction, completion, operation, management and maintenance of the Project for not less than the 55-year Affordability Period described herein and hereafter in the AHA and Ground Lease, subject to satisfaction of the Award Letter Condition Precedent. The specific Authority Loan Amount of \$7,500,00 (or more as provided above) is hereby committed to the Project subject to satisfaction of the Award Letter Condition Precedent and the other terms and conditions of this Award Letter. The final Authority Loan Amount shall be determined after Developer meets the Award Letter Condition Precedent, based on an updated Financial Gap Analysis and subject to a subsidy layering analysis, which shall occur prior to the Closing of Financing. In this regard, the Authority will evaluate and establish more specifically in the AHA the terms and conditions of the Authority Loan, the Authority Note, the Authority Deed of Trust, including its subordinate lien position, and other implementing instruments, which will take into consideration all sources of financing, in particular governmental funding and the applicable program requirements therefor.

(a) *Authority Loan Repaid from Residual Receipts.* The Authority Loan will be a residual receipts loan in a lien position subordinate to the deed of trust securing the Developer's loan obtained for construction financing and the loan take-out permanent financing (each a "Primary Loan") and as will be more fully set forth in the AHA.

(i) In the event, State HCD or other governmental entity funding sources do not require a share of Residual Receipts, the Authority Loan shall be repaid from seventy-five percent (75%) of Residual Receipts and the Developer will retain twenty-five percent (25%) of Residual Receipts.

(A) The term "Residual Receipts" will be fully defined in the AHA, but generally is defined as Project annual revenue less the sum of defined and eligible: (1) operating expenses; (2) debt service on the Primary Loan, (3) required operating and capital reserve deposits, (4) repayment of permitted operating, development, or capital loans, if any, (5) property management fee, (6) eligible partnership related fees including an asset management fee, and (7) unpaid Deferred Developer Fee.

(ii) If State HCD or other governmental funding sources require an allocation of Residual Receipts as between and/or among the Authority, Developer, and other governmental entity(ies), if any, the split thereof shall be established after Developer satisfies the Award Letter Condition Precedent and after the Financial Gap Analysis described above, provided however the percentage allocations among the governmental funding entities shall be established in a fair, reasonable manner and in compliance with applicable legal requirements.

(A) In the event that governmental funding loan(s), if any, are repaid in full through Residual Receipts and the Authority Loan Note remains outstanding, then the percentage and allocation of Residual Receipts shall be adjusted so

that Authority receives 75% of Residual Receipts and the Developer will retain 25% of Residual Receipts.

8.2 Ground Lease. Subject to the Award Letter Condition Precedent, the Authority will transfer to Developer a long-term ground leasehold interest in the Site with the term of the Ground Lease for not less than term of fifty-five (55) years and not to exceed fifty-eight (58) years, provided however in the event that State HCD requires a longer period such term can be up to, but not exceeding, sixty (60) years. Authority, as ground lessor, and Developer, as ground lessee, will enter into the Ground Lease at the Closing of Financing.

(a) *Ground Rent.* Developer shall make annual ground rent payments from Residual Receipts with ground rent based on the fair market value of the Site. Payments of annual Residual Receipts pursuant to the Authority Loan Note will also satisfy payment of annual ground rent due under the Ground Lease.

(b) *Approval and Execution of Ground Lease.* The Ground Lease shall be approved by the Executive Director, or as she/he elects in her/his sole and absolute discretion by the Authority Board (and if applicable City Council), and duly approved as to form by the City Attorney/general counsel and attested by the Authority Secretary.

8.3 Transportation Fee. Subject to the Award Letter Condition Precedent, the Authority Assistance will include the amount equal to the City's assessment of its Transportation Impact and Improvement Fee ("Transportation Fee"); this fee will be deferred subject to the full amount of this fee shall be added and included in the amount due under the Authority Note and shall be repaid from Residual Receipts. The amount of the Transportation Fee that would otherwise be assessed on the Project and that Developer would be required to pay to the City is estimated to be \$129,700; this amount will be included in the Authority Note or can be set forth in separate loan documents between the City and Developer, as elected by the Authority (and City) and considered in the Financial Gap Analysis after the Developer satisfies the Award Letter Condition Precedent. In all events, Developer and the Project shall meet the requirements of the City of Anaheim Municipal Code related to this Transportation Fee and as required under the Land Use Entitlement.

9. Compliance with Law; Statutory Requirements. Developer acknowledges, and the AHA will affirm, that the Site assembly, acquisition, and site preparation costs, including the costs and fees described in Section 8.1 (b) and (c) above have been paid for, in whole or in part, with monies sourced from and subject to the HAL, Health and Safety Code (HSC) Section 33000, *et seq.* including HSC Section 33334.2 pre-dissolution of the Anaheim Redevelopment Agency ("Former Agency") and HSC Section 34176.1 post-dissolution by the Authority, as the housing successor under the Dissolution Law, as amended by Senate Bill 341. Therefore, this Award Letter, and then the AHA and Ground Lease, and all other implementing documents and instruments are and shall remain subject to the applicable requirements of, and Developer covenants to comply with, all applicable requirements of: (i) HAL, (ii) Dissolution Law, (iii) the affordable housing and related statutes

affirmed and reinstated under the requirements of Senate Bill 341 and HSC Section 33000, *et seq.*, (iv) Environmental Laws (as defined in AHA), and (v) all other applicable federal, state, and local laws and regulations.

9.1 Prevailing Wage Laws; Labor Compliance. If applicable, the Developer will comply with California Labor Code Section 1720, *et seq.*, and, if applicable, federal prevailing wage laws and regulations (together, "Prevailing Wage Laws"). In this regard, Authority and Developer acknowledge that such laws and regulations include certain exemptions that may, or may not, apply to the Project; however, under the AHA Developer will assume all responsibility, liability, obligation for payment and will indemnify, hold harmless, and pay for all claims, suits, and liabilities affecting Authority (and City and their Indemnitees) relating to Prevailing Wage Laws as such may be applicable to the Project, to Developer, its General Contractor and all Subcontractors. Further, the Project may be subject to a negotiated "Project Labor Agreement" that may be entered into between or among the Developer and one or more building trades.

(a) As of the Date of Award Letter, the AHSC Program guidelines, Section 113, provide that funds awarded are subject to State prevailing wage law, Labor Code Section 1720, *et seq.*, and require the payment of prevailing wages unless the Project meets one of the exceptions of Labor Code 1720(c) as determined by the State Department of Industrial Relations ("DIR").

(b) As of the Date of Award Letter, the IIG Program guidelines, Section 314, provide that an award "shall be considered public funding for the construction, rehabilitation, demolition, relocation, preservation, or other physical improvement of the capital asset subject to the provisions of the State Prevailing Wage Law.

9.2 Receipt of Subsidy Layering Review approval from TCAC. The Project and all sources of funding of the Project are subject to subsidy layering review ("SLR") under applicable federal and state laws to ensure that excessive public assistance is not used when combining public assistance from federal, state, or local agencies including through Tax Credits. Pursuant to federal and state notices, TCAC may, and is now, performing SLRs for and on behalf of HUD, and TCAC may authorize the local jurisdiction to prepare the SLR for its review and approval.

10. Project Proforma. As of the date of this Award Letter, the Anaheim Assistance has been evaluated and determined, and this Award Letter is provided, based on the Authority's material reliance on and review of the Developer's application for the Anaheim Assistance and Developer's Project proforma for development with proposed sources of funding and financing, development costs, and 55-year projected cash flows for the Project, which proforma is dated as of April 28, 2021] ("April 28 Proforma"). The April 28 Proforma presumes approval of the funding sources listed above in Sections 4.1 and 4.2 based on Developer's applications to State HCD for AHSC Funding and IIG Funding, and to TCAC for a reservation of 4% Tax Credits, and to CDLAC for the allocation of Bonds. Developer shall update the Project proforma after the Award Letter Condition Precedent is satisfied, which

will be a part of the updated Financial Gap Analysis and applicable SLR in connection with preparation of and entering into the AHA and Ground Lease concurrent with the Closing of Financing.

11. Funding Applications; Cooperation. The Parties shall cooperate in good faith in connection with Developer's application(s) to TCAC for the Tax Credits, to CDLAC for the Bonds, and to State HCD for AHSC Funding and IIG Funding to pay for certain transportation improvements complementary to the Project.

12. Affordable Housing Agreement. Subject to the Developer's satisfaction of the Award Letter Condition Precedent, the Authority and Developer will negotiate and enter into the AHA, with the Ground Lease as an attachment thereto. The AHA will set forth a series of "Conditions Precedent", to be satisfied by the Developer, as applicable, and Authority, as applicable.

12.1 Approval and Execution of AHA. The final form of the AHA shall be approved by Developer in its sole and absolute discretion; and, the Executive Director, is hereby authorized to approve and execute in her/his sole discretion, provided however, she/he may elect in her/his sole and absolute discretion to present the AHA to the Authority Board (and if applicable City Council) for consideration and action. The AHA is also subject to approval as for form by the City Attorney/general counsel as required by the City Charter, and shall be attested by the Authority Secretary.

12.2 Summary of Certain AHA Terms. A summary of the topics and basic terms to be set forth in the AHA will include the following:

(a) ***Authority Loan.*** The Authority Loan shall be fully described in the AHA, including:

(i) ***Interest Rate.*** Principal amount of Authority Loan shall bear three and No/100^{ths} percent (3%) simple interest per annum.

(ii) ***Term of Authority Loan.*** Remaining principal and accrued interest on the Authority Loan shall be due in full upon the 55th anniversary of the completion of construction of the Project or earlier upon transfer, sale, non-permitted refinancing, or default as will be set forth in the AHA.

(iii) ***Monetary Lien Priorities.*** The lien position of the Authority Loan (and, if documented as two or more loans, the subordinate lien positions) will be subordinate to the Developer's Primary Loan for construction and permanent financing of the Project;

(A) And, if AHSC Funding is awarded and evidenced by an AHSC loan and if the AHSC program regulations require such loan to be senior to the Authority Loan, then the Authority Loan(s) will be in third (and as applicable fourth) lien position.

(B) And, if IIG Funding is awarded and evidenced by an IIG loan and if the IIG program regulations require such loan to be senior to the Authority Loan, then the Authority Loan(s) will be in fourth lien position (or third lien if no AHSC loan is required).

(iv) *Residual Receipts Allocation.* Repayment of the Authority Loan shall be from Residual Receipts as described in Section 8.1 above. Calculation of Residual Receipts will be subject to and calculated after payment of eligible operating expenses, approved debt service, Deferred Developer Fee, if any remaining, and eligible partnership related fees, also as provided above.

12.3 Additional AHA Terms and Conditions Precedent. The AHA will include additional terms and set forth a series of conditions precedent to the Closing of Financing, including without limitation:

(a) *Readiness for Construction.* All grading permits shall have been issued, or be ready to issue with payment of fees, and the City shall have issued a letter stating that building permits are ready to issue with payment of fees, subject only to the completion of grading of the Site for the Project.

(b) *Primary Loan.* Developer shall have secured all necessary institutional financing and funding for the Primary Loan to undertake and complete construction and thereafter operation of the Project and as approved by the Authority. The Primary Loan shall be sufficient to pay all development costs of the Project, through lease-up, as set forth in a final budget and approved by the Authority.

(i) Developer will cause the lenders for the Primary Loan to provide Authority staff and legal counsel Word versions of all drafts of the loan documents, including the intercreditor and/or subordination agreements to be negotiated among the parties thereto.

(c) *Insurance.* Developer shall have provided evidence to Anaheim that the Developer has obtained insurance policies, certificates, and additional insured or other endorsements acceptable to the Authority, the City Attorney, and City risk management staff for both Developer, its General Contractor and Subcontractors.

(d) *Indemnities.* Developer shall provide certain indemnifications of Authority and City, both general indemnity, Environmental Laws, indemnity, and compliance with Prevailing Wage Laws indemnity.

(e) *Construction Security.* Developer shall have provided construction security naming and in favor of the Authority and City, which may include:

(i) a completion guarantee from an entity (or person) with adequate capital and available liquid assets to and as the guarantor is approved by the

Executive Director and legal counsel in their sole discretion; in this regard, by way of example, the guarantor will have a Dun & Bradstreet PAYDEX score of 80 to 100; or

- (ii) an unconditional standby letter of credit, or
- (iii) payment and performance bonds from the general contractor and subcontractors for the Project, or
- (iv) some combination of any or all of (i), (ii) or (iii) above), in an amount sufficient to ensure the Project will be completed, all invoices paid, and all workers paid in conformity with applicable federal and state labor laws, including Prevailing Wage Laws, and applicable Project documents and agreements, and placed in service within the time set forth in the schedule for the Project as approved by the Authority.

(f) *Additional Contracts.* Developer shall submit and obtain approval of the Authority and legal counsel (which approval shall not be unreasonably withheld, conditioned or delayed) for:

- (i) the construction contract with its General Contractor and the subcontracts therefor;
 - (A) Construction of the Project must be competitively bid in accordance with applicable federal, state and local laws and regulations, in particular the State HCD and HUD requirements, if any.
- (ii) the limited partnership agreement for the limited partnership entity to be formed to own and operate the Project under the Ground Lease and AHA;
- (iii) qualifications and experience of the property manager to operate and manage affordable housing projects comparable to the Project and the property management agreement;
- (iv) identification, qualifications and experience of the provider of social services for the Social Services Plan (defined below) and the contract(s) with social service provider(s);
 - (A) the detailed social and supportive services plan that describes the social and supportive services, goals and objective, with a detailed budget therefor (“Social Services Plan”);
 - (B) The Social Services Plan shall include a robust level of social services offered at the Project and suitable for the residents’ needs and provided by professionally trained staff. Services must include an assessment of clients’ needs, link to services and verification of services obtained. The Social Services Plan must also provide clear outcome measurements related to services provided and must clearly identify if services will be provided by the Developer or by third party entity(ies);
 - (C) For services to be provided by the Developer, the Social Services Plan shall clearly identify the budget and resources available for the services. For

services to be provided by third party entity(ies), the Social Services Plan must include copies of the agreements or memoranda of understanding that govern provision of the services; and

(v) *Marketing and Tenant Selection Plan.* The marketing and tenant selection plans for the Project, including the Authority's reasonable preferences waterfall;

(A) Authority and Developer will implement a residency preference plan that prioritizes occupancy for families who were previously displaced by an Anaheim entity, and who live, work or have been hired to work in Anaheim, which could include families of Disadvantaged or Low Income Communities as defined by the AHSC and IIG programs, subject to applicable Fair Housing laws.

(g) *Cost Savings.* Cost savings from the Project, if any, and/or permanent funding sources in excess of project costs shall be used and applied to pay down the Authority Loan, first toward principal then accrued interest, subject to compliance with the applicable regulations for AHSC, IIG, TCAC and CDLAC financing.

(h) *Permitted Refinancing, Sale, Transfer; Authority Due Certain Share of Net Sale or Refinancing Proceeds.* Sale, transfer, and refinancing will be subject to the terms of the Authority Loan and AHA.

(i) *Post-Closing Conditions.* The AHA will set forth terms and conditions related to construction and construction monitoring from commencement through completion, operations, financing, refinancing, transfer, management and maintenance of the Project.

12.4 Multi-family Project. No housing units within the Project shall be restricted on the basis of age; this is not a "senior" development.

12.5 Affordable Housing Unit Mix; Income and Rent Levels. A unit matrix of all units in the 100-unit Project is in the table at the end of this Section 12.5; the unit mix is narratively described as follows:

(a) one (1) 2-bedroom Housing Unit reserved for the Manager's Unit, which shall be occupied by the on-site property manager; this unit is unrestricted as to household income and rent;

(b) four (4) one-bedroom Housing Units to be available at affordable rent to Extremely Low Income Households with annual gross income at or below thirty percent (30%) of Orange County area median income ("AMI");

(c) two (2) one-bedroom Housing Units to be available at affordable rent to Very Low Income Households with annual gross income at or below forty percent (40%) of Orange County area median income ("AMI");

(d) fourteen (14) one-bedroom Housing Units to be available at affordable rent to Low Income Households with annual gross income at or below sixty percent (60%) of Orange County AMI;

(e) eight (8) two-bedroom Housing Units to be available at affordable rent to Extremely Low Income households with annual gross income at or below thirty percent (30%) of Orange County AMI;

(f) three (3) two-bedroom Housing Units to be available at affordable rent to Very Low Income households with annual gross income at or below fifty percent (50%) of Orange County AMI;

(g) twenty-eight (28) two-bedroom Housing Units to be available at affordable rent to Very Low Income households with annual gross income at or below fifty percent (50%) of Orange County AMI;

(h) eight (8) three-bedroom Housing Units to be available at affordable rent to Extremely Low Income households with annual gross income at or below thirty percent (30%) of Orange County AMI;

(i) four (4) three-bedroom Housing Units to be available at affordable rent to Very Low Income households with annual gross income at or below fifty percent (50%) of Orange County AMI;

(j) twenty-eight (28) three-bedroom Housing Units to Low Income households with annual gross income at or below sixty percent (60%) of Orange County AMI; and

[Unit Matrix Table on next page; Award Letter continues]

The table below summarizes the unit and affordability mix of the Project.

Number of Bedrooms	Number of Housing Units	AMI Income/Rent Level
1	4	ELI/30%
1	2	VL/40%
1	14	Low/60%
2	8	ELI/30%
2	3	VL/50%
2	28	VL/50%
3	8	ELI/30%
3	4	VL/50%
3	28	Low/60%
2* (Manager)	1	Unrestricted as to income and rent

12.6 Non-subordinate Regulatory Agreement; Affordability Period.

All Housing Units at the Project will be restricted as set forth herein and in the AHA and Ground Lease for a minimum of fifty-five (55) years (“Affordability Period”) and as set forth in a separate “Regulatory Agreement” with conditions, covenants and restrictions affecting the use, ownership, operation, management, maintenance, transfer and financing of the Project on the Site. The Regulatory Agreement will be recorded in the Official Records, County of Orange, State of California as senior encumbrance against the Site and, to the extent permitted by the Tax Credit Rules, will cross-reference the “Combined Site” to ensure a mixed-use development with the Retail Component and For-Sale Townhome Component of under the DDA, subject to applicable legal requirements. All monetary liens shall be subject to and remain subordinate to the Regulatory Agreement.

12.7 Affordable Rent. The AHA will require that the Developer will not charge more and shall state in each lease agreement with a tenant that monthly rent shall be an “Affordable Rent” as applicable to the Extremely Low, Very Low and Low Income tenants for all Housing Units at the Project.

(a) The term “Affordable Rent” means the maximum amount of out-of-pocket housing cost to be charged monthly by Developer and paid for a Housing Unit by each of the Extremely Low (<30% AMI), Very Low (both 40% AMI and 50% AMI), and Low Income Households (at or below 60% AMI, excepting the Manager’s Unit) tenants at the Project, which track the unit matrix in Section 12.4 above. Affordable Rent will be determined and calculated pursuant to applicable provisions of the Tax Credit Rules. For purposes of Affordable Rent, the monthly housing payment shall mean the total of monthly payments by each tenant household of a Housing Unit, inclusive of payments attributable to Section 8 portable vouchers under the Housing Choice Voucher (“HCV”) program, other rental subsidies, or other public subsidies by the Authority or any other local, state, or federal governmental agency for use and occupancy of a Housing Unit and facilities associated therewith, including a reasonable allowance for utilities for an adequate level of service.

(i) Developer will accept tenants holding Section 8 portable vouchers or other tenant-based rental assistance certificates (each a “portable voucher”); provided however, each lease for a tenant holding a portable voucher shall state that monthly rent is the Affordable Rent, not fair market rent (“FMR”).

12.8 Minimum and Maximum Occupancy Standards. The minimum occupancy of the Housing Units shall be not be less than one person per bedroom. The maximum occupancy of the Housing Units shall not exceed more than such number of persons as is equal to two persons per bedroom, plus one; thus: (i) for the one-bedroom Housing Units the maximum occupancy shall not exceed three (3) persons, (ii) for the two (2) bedroom Housing Units the minimum occupancy is two (2) persons and the maximum occupancy shall not exceed five (5) persons; and (iii) for the three (3) bedroom Housing Units the minimum occupancy is three (3) persons and the maximum occupancy shall not exceed seven (7) persons.

12.9 Developer Fee; Deferred Developer Fee. In connection with the development of the Project and subject to compliance with the Tax Credit Rules, the Developer will be entitled to a total developer fee of \$7,808,433 as listed in the April 28 Proforma provided however Developer shall contribute \$4,808,433 of such total as “General Partner Equity” thereby the net eligible “Developer Fee” shall not exceed Three Million Dollars (\$3,000,000). Receipt of a portion of the Developer Fee will be deferred (“Deferred Developer Fee”), which is estimated at \$525,401 in the April 28 Proforma.

12.10 Annual Monitoring Fee. Annually and concurrently with the delivery of each annual report and compliance certificate that will be required under the AHA, Developer shall pay a per unit fee with annual adjustment (“Annual Monitoring Fee”) to Authority that shall compensate Authority for its costs incurred to monitor Developer’s compliance with the AHA and Ground Lease.

12.11 Annual Financial Report. The AHA will require Developer to submit an “Annual Financial Report”, which is a certified financial statement by Developer for the

Project using generally accepted accounting principles (“GAAP”) and as separately accounted for by Developer.

13. Environmental Compliance.

13.1 CEQA and NEPA. Developer shall comply with applicable federal and state laws and regulations affecting environmental review of the Project pursuant to all, including the California Environmental Quality Act (“CEQA”) and, as and if applicable, the National Environmental Protection Act (“NEPA”) and approval thereof.

13.2 Environmental Laws. Developer shall comply “Environmental Laws” including, all applicable laws, ordinances, statutes, codes, rules, regulations, orders and decrees of the United States, the State of California, County of Orange, City of Anaheim, or any other political subdivision, agency, or instrumentality exercising jurisdiction over the Developer, the Authority, the City or the Site and Project.

14. Financial Gap Analysis. This Award Letter for the Anaheim Assistance has been determined based on a “Financial Gap Analysis” of the proposed development and operation of the Project, including all funding and financing sources, and the April 28 Proforma, and other supporting documentation. This Award Letter is and shall remain subject to the Award Letter Condition Precedent and the Financial Gap Analysis. After the Award Letter Condition Precedent is satisfied by Developer, Anaheim will re-review and analyze all awarded and committed funding sources for all costs of development and operation of the Project. Developer shall update the April 28 Proforma and provide to the Authority requested supporting documentation. The Financial Gap Analysis will be conducted by the Authority’s economic and housing consultant to evaluate, without limitation, supportable debt (construction and permanent financing), structure and terms for the issuance of the Bonds, market value of Tax Credits, amount of AHSC Funding, IIG Funding, tax credit investor equity, Deferred Developer Fee, and other subordinate debt, if any, and the terms therefor. Developer agrees to cooperate with the Authority and its agents and provide complete, truthful supporting documentation in connection with conducting the Financial Gap Analysis. Developer and Authority agree to cooperate in good faith toward achieving a financially feasible Project and to that end each shall provide the other and their respective agents with complete, truthful, and timely supporting documentation in connection with conducting the Financial Gap Analysis.

15. Authorization to Implement Award Letter.

15.1 Executive Director Authority. By consideration and action to approve this Award Letter, the Authority (and City) hereby authorizes the Executive Director to sign this Award Letter on behalf of the Authority. Further the Executive Director is authorized to cause to be prepared and executed the AHA and Ground Lease, in implementation hereof, so long as the terms and provisions of the AHA, Ground Lease, and each and all implementing agreements and instruments therefor are substantially, and materially consistent, financially and legally, with this Award Letter.

(a) Further, the Executive Director (or her/his duly authorized representative) is authorized to implement the AHA and Ground Lease and take all further actions and execute all documents referenced therein and/or necessary and appropriate to carry out the transaction contemplated by this Award Letter, and thereafter the AHA and Ground Lease, including all exhibits, instruments and implementing agreements 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 Award Letter, and thereafter the AHA and Ground Lease, as reasonably necessary in her/his sole and absolute discretion, to properly implement and carry out the Project provided any and all such changes shall not in any manner substantially or materially affect Anaheim's rights and obligations, or increase the value and monetary amount(s) that comprise the Authority Assistance under this Preliminary Award Letter, the AHA and the Ground Lease, all subject to the Award Letter Condition Precedent.

(b) In addition, the Executive Director is authorized, on behalf of both the Authority, to sign all other documents necessary or appropriate to carry out and implement this Preliminary Award Letter, the AHA, Ground Lease for the Project, including all exhibits thereto and including causing the issuance of warrants in implementation thereto, and to administer Anaheim's obligations, responsibilities and duties to be performed thereunder so long as substantially and materially consistent with this Award Letter, the AHA, and Ground Lease. Any and all substantive changes, including monetary adjustments that increase the Authority Assistance, to this Award Letter or to the terms and provisions of the AHA, the Ground Lease, and implementing agreements and instruments thereto shall require the consideration and action of the Authority Board (and/or City Council), as applicable.

16. Authority Board Action. The governing board of the Anaheim Housing Authority is comprised of the elected members of the City Council ("Authority Board"). The Authority Board has reviewed Developer's requests for each component of the Anaheim Assistance described in this Award Letter, and on May 18, 2021 at a duly noticed and posted public meeting of the Authority Board, Anaheim authorized and approved issuance of this Award Letter to evidence the preliminary award of the Anaheim Assistance, commitment related to site control, and related matters described herein to satisfy the requirements of the Tax Credit Rules.

Should you have any questions or require additional information, please contact Andy Nogal, Community Investment Manager, at (714) 765-4368 or by email at anogal@anaheim.net.

Sincerely,

Grace Ruiz-Stepter, Acting Executive Director
Anaheim Housing Authority and City of Anaheim

[Developer Signature Block on Next Page]

Robert G. Mitchell
Greenlaw 39 Commons Beach, LLC
May 18, 2021
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The Preliminary Award Letter to Greenlaw 39 Commons Beach, LLC is:

AGREED AND ACCEPTED

this ___th day of May, 2021:

GREENLAW 39 COMMONS BEACH, LLC
a California limited liability company

By: Greenlaw Development, LLC, a California
limited liability company

By: _____
Wilbur H. Smith, III

By: _____
Robert G. Mitchell

cc: Shawn Boyd, Chief Investment Officer
Affordable Housing Access
3920 Birch Street, Suite 103
Newport Beach, CA 92660

**SUMMARY REPORT PURSUANT TO SECTION 33433
OF THE
CALIFORNIA HEALTH AND SAFETY CODE
ON A
PRELIMINARY AWARD LETTER
BY AND BETWEEN
THE ANAHEIM HOUSING AUTHORITY
AND
GREENLAW 39 COMMONS BEACH, LLC**

The following Summary Report has been prepared pursuant to the requirements imposed by California Health and Safety Code Section 33433 (Section 33433). The report sets forth certain details of the proposed Preliminary Award Letter (Award Letter) by and between the Anaheim Housing Authority (Authority) and Greenlaw 39 Commons Beach, LLC (Developer).

In 2001, the Anaheim Redevelopment Agency (Agency) used Property Tax Increment Housing Set-Aside (Set-Aside) funds and Tax-Exempt Housing Bonds (Bonds) to purchase the property located at 212 South Beach Boulevard (Site). Following the dissolution of redevelopment in California in 2012, this property was transferred as a housing asset to the Authority, acting as the housing successor to the Agency. The Site is generally located at the southeast corner of Lincoln Avenue and Beach Boulevard in the Beach Boulevard Specific Plan Area (BBSA).

The Award Letter provides for the Authority to ground lease the Site to the Developer for approximately 55 – 60 years. The Developer proposes to construct and operate a 100-unit apartment project that will be subject to long-term income and affordability covenants. Ninety-nine (99) of the units will be restricted to Extremely Low, Very-Low and Low Income households, and one unit will be reserved for an on-site manager.

The Award Letter is focused on the conveyance of the Site in the form of a ground lease that will remain in effect for 55 - 60 years. In addition, the Authority will provide financial assistance to the Developer per the requirements imposed by the Award Letter.

Due to the fact that the Site was purchased with Set-Aside and Bond funds, the proposed conveyance of the property is subject to the reporting requirements imposed by Section 33433. Specifically, Section 33433 requires the conveying entity to prepare a report that summarizes the financial terms associated with the proposed disposition transaction.

The following Summary Report is based upon the information contained within the Award Letter, and is organized into the following seven sections:

- I. **Salient Points of the Award Letter:** This section summarizes the major responsibilities imposed on the Authority and the Developer by the Award Letter.
- II. **Cost of the Award Letter to the Agency and the Authority:** This section details the total cost to the Agency and the Authority associated with implementing the Award Letter.
- III. **Estimated Value of the Interests to be Conveyed Determined at the Highest Use Permitted under the Property's Zoning:** This section estimates the values of the interests to be conveyed or leased determined at the highest uses permitted under the requirements imposed by the zoning in place on the Site.
- IV. **Estimated Reuse Value of the Interests to be Conveyed:** This section summarizes the valuation estimate for the Site based on the required scope of development, and the other conditions and covenants required by the Award Letter.
- V. **Consideration Received and Comparison with the Established Value:** This section describes the compensation to be received by the Authority, and explains any difference between the compensation to be received and the established value of the Site.
- VI. **Blight Elimination:** This section describes the existing blighting conditions on the Site, and explains how the Award Letter will assist in alleviating the blighting influence.
- VII. **Conformance with the AB1290 Implementation Plan:** This section describes how the Award Letter achieves goals identified in the Agency's adopted AB1290 Implementation Plan.

This report and the Award Letter are to be made available for public inspection prior to the approval of the Award Letter.

I. SALIENT POINTS OF THE AWARD LETTER

A. Project Description

The following describes the scope of development for the Project:

1. The Project will include 100 apartment units which will be constructed in a five-story residential building that wraps around a multi-level parking garage.
2. The Project's unit mix is as follows:
 - a. Twenty (20) one-bedroom units;
 - b. Forty (40) two-bedroom units; and

- c. Forty (4) three-bedroom units.
3. The Project's affordability mix is summarized as follows:
 - a. Four (4) one-bedroom units must be rented to Extremely Low Income households earning less than or equal to 30% of the Orange County median income (AMI);
 - b. Two (2) one-bedroom units must be rented to Very-Low Income households earning less than or equal to 40% AMI;
 - c. Fourteen (14) one-bedroom units must be rented to Low Income households earning less than or equal to 60% AMI;
 - d. Eight (8) two-bedroom units must be rented to Extremely Low Income households earning less than or equal to 30% AMI; and
 - e. Three (3) two-bedroom units must be rented to Very-Low Income households earning less than or equal to 50% AMI; and
 - f. Twenty-eight (28) two-bedroom units must be rented to Very-Low Income households earning less than or equal to 50% AMI; and
 - g. Eight (8) three-bedroom units must be rented to Extremely Low Income households earning less than or equal to 30% AMI; and
 - h. Four (4) three-bedroom units must be rented to Very-Low Income households earning less than or equal to 50% AMI;
 - i. Twenty-eight (28) three-bedroom units must be rented to Low Income households earning less than or equal to 60% AMI; and
 - j. One unit must be rented to an on-site manager.
4. The Affordable Rents will be determined and calculated pursuant to Tax Credit Rules.
5. All units will be income restricted for a minimum of fifty-five (55) years ("Affordability Period"), and as set forth in a separate Regulatory Agreement with conditions, covenants, and restrictions on the use, ownership, operation, management, maintenance, transfer and financing of the Project on the Site. The Regulatory Agreement will be recorded as senior encumbrance against the Site.
6. The minimum occupancy standards are not less than one person per bedroom and the maximum occupancy standards are no more than two persons per bedroom plus one.

7. The parking structure will consist of 195 parking spaces.
8. Amenities will include a community room, outdoor recreation areas, rooftop amenities, and a public art element. A minimum of 23,530 square feet of "Recreation/Leisure" area(s) will be provided, including a minimum 15,670 square feet located in the upper deck area.

B. Authority Responsibilities

The Award Letter requires the Authority to accept the following responsibilities:

1. The Authority will convey the Site to the Developer in the form of a long-term ground lease for the purposes of constructing and operating the Project.
2. The Ground Lease will have the following terms:
 - a. The Ground Lease will be entered into at the Closing of Financing;
 - b. The Ground Lease will have an approximately 55 – 60 year term; and
 - c. The Ground Lease shall be approved by the Executive Director and/or other Authority designee.
3. The Authority will provide the Developer with a not less than \$7.50 million loan (Authority Loan) based on the following:
 - a. The Authority will loan the fair market value of the Site to the Developer. The fair market value (capitalized ground rent payment amount) is estimated at \$6,060,000.
 - b. The Authority will loan the cumulative fees, costs and expenses incurred by the Authority and City of Anaheim (City) during the period beginning on October 11, 2001 and ending on the date of Closing of Financing. This amount is estimated at \$1.25 million.
 - c. The Authority will loan the Authority/City's third party attorneys' fees and costs incurred during the period commencing on May 18, 2021 (Date of Award Letter) and ending on the date of the Closing of Financing.
 - d. The City will defer the Developer's payment of the assessed Transportation Impact and Improvement Fee (Transportation Fee). This amount, currently estimated at \$129,700, will be included in the Authority Loan.
4. The Authority Loan will have the following terms:

- a. The Authority Loan will bear three percent (3%) simple interest per annum.
 - b. The Authority Loan will have a 55-year loan term. Any outstanding principal and interest will be due and payable at Year 55.
 - c. The Authority Loan will be a residual receipts loan in a lien position subordinate to the deed of trust securing the Developer's Primary Loan, and/or other State of California (State) funding sources, if required.
 - d. The Authority Loan will be repaid from the Authority's share of Residual Receipts, which will be set at 75% of the Project's total Residual Receipts. At the discretion of the Authority, the Authority may be willing to renegotiate the share of Residual Receipts with other residual receipts lenders.
5. The Authority will cooperate with the Developer in submitting funding application(s) to California Department of Housing and Community Development (HCD).
6. If the Developer cannot obtain the agreed-upon funding sources in 2021 or 2022, the Developer may enter into negotiations with the Authority to amend the Award Letter and/or Project to apply for 9% Tax Credits in 2022:
- a. The amended Award Letter will require a revised Financial Gap Analysis; and
 - b. The Authority shall negotiate in good faith with the Developer. However, the Authority shall retain sole and absolute discretion to execute an amendment to the Award Letter, which shall be presented to the Authority Board and City Council.

C. Developer's Responsibilities

The Award Letter requires the Developer to accept the following responsibilities:

1. Accept conveyance of the Site from the Authority in the form of a long-term ground lease. The Ground Lease will have the following terms:
 - a. The Ground Lease will be entered into at the Closing of Financing; and
 - b. The Ground Lease will have an approximately 55 – 60 year term.
2. The Developer will assign the Award Letter to a new limited partnership entity – “39 Commons Beach Affordable LLP” – of which Affordable Housing Access (Non-Profit) is the managing general partner. The new entity may also include “39 Commons Beach Affordable Housing, LLC” as long as the Non-Profit is the managing general partner.

3. The Award Letter is premised on the Developer applying and obtaining funding from the following sources:
 - a. In 2021, the Developer should apply for the following sources:
 - i. A reservation of 4% federal Tax Credits awarded by the California Tax Credit Allocation Committee (TCAC), paired with:
 - ii. An allocation of tax-exempt multi-family housing revenue bonds by the California Debt Limit Allocation Committee (CDLAC); and
 - iii. An award of Affordable Housing and Sustainable Communities (AHSC) funding by HCD; and
 - iv. An award of Infill and Infrastructure Grant (IIG) funding by HCD.
 - b. If the Developer does not obtain the required funding sources in 2021, the Developer may apply for the following funding sources in 2022:
 - i. A reservation of 4% federal Tax Credits awarded by TCAC, paired with:
 - ii. An allocation of tax-exempt multi-family housing revenue bonds by CDLAC; and
 - iii. An award of AHSC funding by HCD; and
 - iv. An award of IIG funding by HCD.
 - c. If the Developer cannot obtain the above-mentioned funding sources in 2021 or 2022, the Developer may enter into negotiations with the Authority to amend the Award Letter and/or Project to apply for 9% Tax Credits in 2022:
 - i. The amended Award Letter will require a revised Financial Gap Analysis; and
 - ii. The Developer shall negotiate in good faith with the Authority. However, the Developer shall retain sole and absolute discretion to execute an amendment to the Award Letter.
4. The Developer shall prepare and submit to the City and the Authority for approval the documents to implement the Density Bonus, including the Housing Incentives Agreement.
5. The Developer shall obtain all the required land use approvals, entitlements and permits necessary for the development of the Site.

6. No housing units within the Project may be restricted on the basis of age.
7. The Developer shall limit the net eligible Developer Fee to no more than \$3.0 million. The net eligible Developer Fee is the total developer fee less any general partner equity contributed to the Project.
8. The Developer shall pay a per unit “Annual Monitoring Fee” to the Authority.
9. The Developer shall comply with all State and/or Federal Prevailing Wage Laws.
10. The Developer shall comply with all Federal and State environmental laws.
11. Subject to satisfaction of the Award Letter, the Developer will enter into an Affordable Housing Agreement (AHA). The following requirements will be imposed on the Developer in the AHA:
 - a. Ensure that all grading permits and payment of fees have been issued.
 - b. Secure all necessary institutional financing and funding for the Primary Loan needed to complete construction of the Project.
 - c. Provide the Authority with the required insurance policies, certificates and additional insured or other endorsements.
 - d. Provide construction security naming and in favor of the Authority and City.
 - e. Ensure that construction of the Project is competitively bid in accordance with applicable federal, state and local laws and regulations.
 - f. Provide the qualifications and experience of the property manager.
 - g. Prepare and provide a Social Services Plan, and a Marketing and Tenant Selection Plan.
 - h. Any cost savings and/or permanent sources in excess of project costs shall be used to pay down the Authority Loan.
 - i. Authority will receive full repayment of the Authority Loan upon certain transfers as further defined in the AHA.
 - j. The AHA will set forth additional post-closing conditions.

II. COST OF THE AWARD LETTER TO THE AGENCY AND THE AUTHORITY

The costs incurred by the Agency and Authority to implement the Award Letter are estimated as follows:

Property Acquisition Cost	\$2,290,000
Demolition / Remediation Costs	259,000
Relocation Costs	349,000
Property Management Costs	468,000
Miscellaneous Costs	175,000
Estimated Bond Interest Payments ¹	541,000
Total Agency Cost	\$4,082,000

The Authority intends to provide a not less than \$7.50 million Authority Loan to the Developer. The Authority Loan includes \$1.25 million of the demolition/remediation costs, relocation costs, property management costs and miscellaneous costs outlined in the table above.

It is anticipated that the \$7.50 million Authority Loan will be fully repaid by the end of the loan term. However, given that the debt service on residual receipts loans is completely dependent on the cash flow produced by the Project over time, it is too speculative to predict the net present value of the debt service payments that will be made over the term of the Authority Loan.

III. ESTIMATED VALUE OF THE INTERESTS TO BE CONVEYED DETERMINED AT THE HIGHEST USE PERMITTED UNDER THE REDEVELOPMENT PLAN

Section 33433 requires the Authority to identify the value of the interests being conveyed at the highest and best uses permitted under zoning in place on the Site. The valuation must be based on the assumption that near-term development is required, but the valuation does not take into consideration any extraordinary use, quality and/or income restrictions being imposed on the development by the Authority.

An appraisal prepared by Stephen G. White, MAI on April 21, 2021 estimates the fair market value of the Site between \$5.67 million to \$6.06 million.

¹ The bond interest payments are based on a \$1.91 million principal balance, a 4.10% interest rate, and six years during which KMA estimates that no principal is paid down. In 2007, the Agency reimbursed the property acquisition costs (Bond and Set-Aside expenditures) using Property Tax Increment funds.

IV. ESTIMATED REUSE VALUE OF THE INTERESTS TO BE CONVEYED

Keyser Marston Associates, Inc. (KMA), the Authority's financial consultant, prepared a reuse valuation analysis of the Project based on the financial terms and conditions imposed by the Award Letter. The KMA analysis concluded that the fair reuse value of the Site is negative \$32,000. This means that the Site needs to be conveyed at no cost in order to make the scope of development required by the Award Letter financially feasible.

It is important to note that this reuse value is predicated on the assumption that the Project will receive the 4% Tax Credits, bonds competitively awarded by CDLAC, AHSC funds, and IIG funds. If any of these sources are not received by the Project, the fair reuse valuation conclusion will need to be re-evaluated.

V. CONSIDERATION RECEIVED AND COMPARISON WITH THE ESTABLISHED VALUE

The Award Letter imposes extraordinary controls on the Project. The impacts created by these requirements reduce the value of the Project from \$6.06 million at the highest use permitted under the current zoning, to the established fair reuse value of negative \$32,000.

The Award Letter treats the \$7.50 million Authority Loan as a Residual Receipts Loan that must be repaid out of the cash flow generated by the Project over time. At the end of the loan term, the Developer must repay any outstanding balance on the Authority Loan. Given that the repayment proceeds received by the Authority will be greater than the established fair reuse value of negative \$32,000, it can be concluded that the Authority is receiving fair consideration for the interests being conveyed to the Developer.

VI. BLIGHT ELIMINATION

The Project includes 100 units that will be subject to long-term income and affordability covenants. In accordance with California Redevelopment Law, as portrayed in the California Health and Safety Code Section 33433, the conveyance of property that results in the provision of housing for low- or moderate-income persons satisfies the blight elimination criteria imposed by Section 33433. Furthermore, the conveyance of the Site will assist in the elimination of blight by allowing for the redevelopment a vacant property. Thus, the Project fulfills the blight elimination requirement.

VII. CONFORMANCE WITH THE AB1290 IMPLEMENTATION PLAN

The Authority's AB1290 Implementation Plan for 2010 to 2014 contemplates the development of affordable housing within the Merged Project Area. Specifically, under the heading *Residential Rehabilitation, Development and Affordability Preservation Projects*, 212 South Beach Boulevard is listed as a Site which can accommodate affordable residential development. Therefore, the proposed Project is in conformance with the 1290 Implementation Plan.