



City of Anaheim

ANAHEIM HOUSING AUTHORITY

May 24, 2021

Michael Ruane, Executive Vice President
National Community Renaissance of California
9421 Haven Avenue
Rancho Cucamonga, CA 91730

Re: Preliminary Award Letter regarding Certain Financial Assistance by the City of Anaheim and the Anaheim Housing Authority, Including a Loan Sourced from HOME Program Funds and/or Housing Asset Funds, Section 8 PBVs and Additional Subsidies, for the Proposed Construction and Operation of a New Affordable Rental Housing Project (86 Units) on an approximately 2.26-Acre Site Located at 1441 - 1455 S. Anaheim and 110 W. Midway Drive, Anaheim, California

Dear Mr. Ruane:

This Preliminary Award Letter (this "Preliminary Award Letter") sets forth the basic terms under which the Anaheim Housing Authority ("Authority") and the City of Anaheim ("City") are prepared to proceed with implementation of certain public programs in connection with the development of an approximately 2.26 acre site located at 1441-1455 S. Anaheim Boulevard and 110 W. Midway Drive (the "Site") located within the corporate limits of the City. This Preliminary Award Letter will expire on December 22, 2022 (the "Letter Expiration Date"), at which time the terms set forth herein will be null and void unless sooner extended by the Executive Director of the Authority and the City's Community & Economic Development Department (collectively, the "Executive Director") which the Executive Director acting in his/her sole and absolute discretion.

You have informed us that National Community Renaissance of California ("NCRC") or an affiliate of NCRC desires to enter into a ground lease and loan agreement with the Authority under which NCRC would construct and operate on the Site a new affordable rental housing development consisting of eighty-six (86) apartment units and ancillary amenities and improvements for tenancy and occupancy by income-eligible, qualified households at an affordable rent with no units being restricted on the basis of age (collectively, the "Project"). The mix of income levels among the affordable rental units shall be as described below.

Authority is the owner of a fee simple interest in the Site.

Land Use Entitlement and Anaheim Assistance

In connection with seeking to undertake the Project, NCRC submitted to the City of Anaheim (the “City”) and the Authority¹ an application for financial assistance and other benefits as herein defined and described (together, “Anaheim Assistance”).

Further, NCRC submitted to the City an application for land use entitlements for the Site, including incentives under the State Density Bonus Law, California Government Code Section 65915, *et seq.* and the City’s implementing density bonus ordinance, Chapter 18.52 of the Anaheim Municipal Code (“Land Use Entitlements”).

The Project will include the eight-six (86)-unit affordable housing complex anticipated to consist of a three (3) story and a four (4) story building wrapping around a surface parking area and outdoor amenities, with residential units ranging in size from 569 square feet to 1,054 square feet, subject to further planning approval by the City. It is contemplated that the Project will include twenty-nine (29) one bedroom units, thirty-five (35) two bedroom units, and an additional twenty two (22) three bedroom units. Eight (8) of the Project units will be set aside for homeless households. As specified in the development plans, the Project will include 129 parking spaces and 26,392 square feet of recreation and leisure space. Project amenities include; resident pool and clubroom, pool building, dog park/dog wash area, children’s play area tot-lot and a roof deck and a flex space for social services.

NCRC, with the written consent of the Authority, as applicable, shall prepare and submit to the City its application for the Land Use Entitlement that includes: Density Bonus Ordinance Incentives, Building Plan Check and, if approved, with construction subject to the City’s development standards, zoning and other laws and regulations.

In connection with implementation of the Project, NCRC has requested that Anaheim provide to NCRC, or its wholly-owned developer entity (as applicable, the “Developer”), by this Preliminary Award Letter the Anaheim Assistance described below.

Anaheim states its objective for the Developer, by this Preliminary Award Letter, to satisfy the provisions of the California Tax Credit Allocation Committee (“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, albeit there is no intention to violate HOME Program requirements, in particular 24 CFR 92.2. If the Developer receives an award of low-income housing tax credits (“Tax Credits”), then the Developer and Anaheim may negotiate and enter into the Agreement in implementation of the award of Tax Credits and the Anaheim Assistance.

¹ The City is a California municipal corporation and charter city; and, the Authority is a public body corporate and politic organized and existing pursuant to the Housing Authorities Law, California Health and Safety Code Section 34200, *et seq.* (“HAL”). In this Preliminary Award Letter, the City and the Authority are referred to together as “Anaheim”.

Michael Ruane

National Community Renaissance of California

May 24, 2021

Page | 3

The Developer plans to make an application to the California Tax Credit Allocation Committee (TCAC) for 9% Tax Credits in the 2021 second application cycle, and if TCAC funding is not awarded to the Developer to make a first round application to TCAC for 9% Tax Credits in the 2022 first round application cycle. If the Developer's first two applications of 9% Tax Credits are unsuccessful, the Authority will agree to allow one additional application to TCAC for an allocation of 9% Tax Credits in the second round of 2022; provided, however, that the Authority shall have no obligation to increase the amount of Anaheim Assistance to the Project from that described in this Preliminary Award Letter.

Anaheim Assistance

Jointly, the Anaheim City Council (the "City Council") and Board of Commissioners of the Authority (the "Authority Board") have reviewed NCRC's requests for each component of the Anaheim Assistance, and on June 22, 2021 at a public meeting of the City Council and the Authority Board, Anaheim authorized and approved issuance of this Preliminary Award Letter to evidence the preliminary award of the Anaheim Assistance and related matters described herein. Accordingly, subject to the conditions described herein, the Anaheim Assistance comprised of the following financial subsidies and assistance will be provided to NCRC to facilitate the Project:

- (i) Subject to satisfaction of conditions precedent determined by Authority (which will be consistent with conditions precedent to disposition customarily required by the Authority in agreements pertaining to the long term disposition of interests in property for development), the Authority will transfer to NCRC a long term ground leasehold interest in the Site for a period of not less than fifty-five (55) years (the "Ground Lease"). By this Award Letter and pursuant to TCAC Rules, subject to satisfaction of Authority's conditions precedent and of the terms and conditions of this Award Letter, the Authority intends to provide the Developer "site control" of the Site under the Ground Lease; and
- (ii) Subject to the conditions described herein, the original principal amount of the Authority Loan 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)-(e): (a) \$7,200,000, 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 January 22, 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, (c) Park fee Credits (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. e) the \$5,000,000 development loan to the project. The specific Authority Loan Amount of \$13,225,775.60 (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) \$7,200,000, 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.
- b) \$449,098, which is 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 January 22, 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,
- c) The Authority will provide Park Fee Credits to the Project in the amount of Four Hundred Sixty-Five Thousand, One Hundred Fifty Five Dollars Eight Cents (\$465,155.08) to be structured as a loan to the Development. The loan for the park fee credits will have a term of fifty five (55) years and will be repayable from residual receipts; and
- d) The City will provide a waiver or exemption of the City's Transportation Impact and Improvement Fee that would otherwise be assessed on the Project in an estimated amount of One Hundred Eleven Thousand Five Hundred Forty-Two Dollars no Cents (\$111,542.00), and provided the Project meets the requirements of the City of Anaheim Municipal Code to be structured as a loan to the Development; and
- e) A loan of approximately Five Million and No/100ths Dollars (\$5,000,000.00) (the "Development Loan"). The Development Loan shall be sourced from one or both of the following sources of money: (1) moneys transferred to the Authority by the City, as such funds have been received by the City as

a participating jurisdiction ("PJ") under the federal HOME Investment Partnerships Act and the HOME Investment Partnerships Program, in accordance with Title II of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12701 *et seq.*) and the HOME Program regulations codified at 24 CFR Part 92, and provided there is and shall be no "commitment" of funds to pay such purchase price until the requirements of Section 92.2 (described herein) are fully satisfied ("HOME Program") or (2) money held in the Authority's Low and Moderate Income Housing Asset Fund pursuant to the Dissolution Law, Health and Safety Code Sections 34170, *et seq.*, in particular sections 34176 and 34176.1 ("Housing Asset Funds"). The Development Loan will be a residual receipts loan in second lien position and subordinate to the Primary Loan (as herein defined). As hereafter approved by the Authority, it is anticipated that approximately Five Million and No/100ths Dollars (\$5,000,000.00)(the "Authority Amount") would consist in whole or in part, of HOME and/or Housing Asset Funds not exceeding approximately Four Million and No/100ths Dollars (\$5,000,000.00); and

- f) Developer, as lessee and borrower, will be obligated to repay to Authority and City, respectively, the corresponding amounts loaned by the Authority and the City (collectively, the "Anaheim Loan"); Upon repayment of Anaheim Loan, Authority will receive a ground lease rent payment out of residual receipts; and
- g) If eighty-six (86) units are developed at the Project, the Authority will provide eight (8) project-based vouchers, excluding the manager's unit (as allocated, the "PBVs") under and in compliance with federal 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 (collectively, the "Section 8 Laws"), and will enter into with the Developer an Agreement to Enter into a Housing Assistance Payment Contract ("AHAP") with respect to the provision of the PBVs and thereafter execution of a Housing Assistance Payment Contract ("HAP") for a term of fifteen (15) years with respect to the provision of the PBVs to the Project pursuant to the requirements of the AHAP; and
- h) If NCRC applies for and receives 9% Tax Credits from TCAC, the Development Loan to be provided as part of the Anaheim Assistance described above will be in an amount to be determined upon the approval of NCRC's 9% Tax Credit application. Any increase in the amount of the Anaheim Assistance described herein will require approval by the City Council and the Authority Board; provided that no increase in the Anaheim Assistance is contemplated.

Michael Ruane

National Community Renaissance of California

May 24, 2021

Page | 6

HOME Program Preliminary Award and No Commitment of HOME Program Funds

If the Anaheim Assistance is funded with HOME Program funds, by this Preliminary Award Letter Anaheim intends to make a *preliminary award* to the Developer pursuant to 24 CFR 92.504(c)(3) of the HOME Program, subject and pursuant to the HAL and all other applicable federal, state and local laws and regulations.

Anaheim has made NCRC aware of the 2013 HOME Final Rule, specifically including the amendments to the definition of "commitment" in 24 CFR 92.2 that prohibits the City, as a PJ and recipient of HOME Program funds and as transferor of such funds to the Authority (and the Authority as transferee of HOME Program funds) from providing a commitment (as the term is defined therein) of HOME Program funds to any specific local project until "the [City] and project owner [the Developer] have executed a written legally binding agreement under which HOME assistance will be provided to the owner for an identifiable project *for which all necessary financing has been secured*, a budget and schedule have been established, and underwriting has been completed and under which construction is scheduled to start within twelve months of the agreement date." (Italics added.) Notwithstanding the definition of "commitment" in 24 CFR 92.2 as amended by the 2013 HOME Final Rule, 24 CFR 92.504(c)(3) authorizes the City to "*preliminarily award* HOME funds for a proposed project, contingent on conditions such as obtaining other financing for the project" [italics added]; however, this section goes on to clearly confirm that "[t]his preliminary award is not a commitment to a project. The written agreement committing the HOME funds to the Project must meet the requirements of 'commitment to a specific local project' in the definition of 'commitment' in §24 CFR 92.2".

Thus, while as to the Anaheim Loan (if to be sourced from HOME Program funds), this Preliminary Award Letter is not, and shall not be construed as a "commitment" of HOME Program federal funds as defined under the HOME Program, Anaheim intends that this Preliminary Award Letter evidence the Authority's *preliminary award* of the Anaheim Loan, expressly subject to the conditions set forth in this Preliminary Award Letter.

NCRC's Project Proforma

The Anaheim Assistance has been evaluated and determined and this Preliminary Award Letter is provided in material reliance and based on Anaheim's review of the Developer's application for the Anaheim Assistance and its development proforma and projected cash flows for the Project assuming the approval of 9% Tax Credit application submitted by NCRC to Anaheim and dated as of May 20, 2021.

Michael Ruane

National Community Renaissance of California

May 24, 2021

Page | 7

Anaheim Loan Terms

The Anaheim Loan (whether documented as one or two loans evidenced by one or two promissory notes) will have the following terms, and shall be more fully described and defined in the Agreement:

- Loan by Anaheim will be in the approximate amounts of the City Amount and the Authority Amount, respectively, based on Anaheim's review and evaluation of the gap financing needed to support the feasibility of the Project and moneys available to Anaheim for this purpose and any increased amount expressly subject to approval by the Authority Board), or as much thereof as is disbursed for the hard and soft costs of constructing the Project;
- Disbursement procedures for release of the loan proceeds;
- Principal amount shall bear three and No/100ths percent (3%) simple interest per annum;
- Second lien position (and, if documented as two loans, third lien position) subordinate to the Developer's construction loan and/or permanent loan for the Project (the "Primary Loan").
- Repayment of the Anaheim Loan shall be from eighty-five percent (85%) of Residual Receipts (subject to and after payment of operating expenses, debt service on the Primary Loan, required operating and capital reserve deposits, deferred developer fee, if any, partnership and asset management related fees to be defined and payment of other Project expenses as described in the Agreement). If necessary, Residual Receipts will be shared with other lenders with the applicable percentages to be negotiated.
- Remaining principal and accrued interest shall be due in full upon the 55th anniversary of the Closing or earlier upon sale, non-permitted refinancing or default;
- If the Anaheim Loan is repaid in full before the termination of the term of the Ground Lease, rent under the Ground Lease shall be paid to the Authority in the amount of eighty-five percent (85%) of Residual Receipts, based on the same calculation as payments on the Anaheim Loan. The Authority is prepared to consider evidence, if available, that such level of payments after the satisfaction of the Anaheim Loan may not be permissible under existing statutes and/or regulations;
- Construction of the Project must be competitively bid in accordance with applicable federal, state and local laws and regulations, in particular the HUD requirements;
- This a federally-funded Project and is therefore subject to all applicable federal and state labor laws, including without limitation federal Davis Bacon and related prevailing wage, labor, contracting and contractor requirements. Additionally, the

Michael Ruane

National Community Renaissance of California

May 24, 2021

Page | 8

Project is also a “public works project” and is subject to all state and local laws and regulations for public works, including without limitation California Labor Code Section 1720, *et seq.*

- Cost savings from the Project, if any, will be applied to pay down the principal first then accrued interest of the Anaheim Loan, subject to compliance with the TCAC Regulations.

Conditions to the Anaheim Assistance

Anaheim’s obligations to provide the Anaheim Assistance to NCRC for the Project are subject to each and all of the following conditions:

1. Approval by the City and the Executive Director, or as it/he/she elects by the City Council and the Authority Board, of the Agreement to be entered into by and between or among the Authority, the City and NCRC (or a limited partnership development entity, of which NCRC or an affiliate of NCRC is the managing general partner) that more specifically describes and authorizes the terms of and disbursement of proceeds and conditions for each and all aspects of the Anaheim Assistance, including without limitation the construction, completion, operation, financing, refinancing, transfer, management and maintenance of the Project.
2. 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, subject to applicable legal requirements. All monetary liens shall be subject to and remain subordinate to the Regulatory Agreement.
3. The unit and affordability mix of the Project shall be not less than the following:
 - (a) one (1) on-site property manager’s unit that will not be required to be rent-restricted or limited as to income,
 - (b) seventeen (17) one-bedroom units to be available at affordable rent to households with annual gross income at or below thirty percent (30%) of Orange County area median income (“AMI”);
 - (c) four (4) one-bedroom units to be available at affordable rent to households with annual gross income at or below forty percent (40%) of Orange County area median income;
 - (d) eight (8) one bedroom units to be available at affordable rent to households with annual gross income at or below fifty percent (50%) of Orange County AMI;
 - (e) eight (8) two-bedroom units to be available at affordable rent to households with annual gross income at or below thirty percent (30%) of Orange County AMI;
 - (f) five (5) two-bedroom units to be available at affordable rent to households with annual gross income at or below forty percent (40%) of Orange County AMI;
 - (g) (13) two-bedroom units to be available at affordable rent to households with annual gross income at or below fifty percent (50%) of Orange

County AMI; (h) eight (8) two-bedroom units to be available at affordable rent to households with annual gross income at or below sixty percent (60%) of Orange County area median income ("AMI"); (i) three (3) three-bedroom units to be available at affordable rent to households with annual gross income at or below thirty percent (30%) of Orange County AMI; (j) one (1) three-bedroom unit to be available at affordable rent to households with annual gross income at or below forty percent (40%) of Orange County AMI; (k) eight (8) three-bedroom units to be available at affordable rent to households with annual gross income at or below fifty percent (50%) of Orange County AMI; and (l) ten (10) three-bedroom units to be available at affordable households with annual gross income at or below sixty percent (60%) of Orange County AMI.

- a. Eight (8) of the Project units will be set aside for homeless households.
 - b. A unit matrix of all units in the Project of eighty-six (86) units is attached hereto and fully incorporated by this reference as Exhibit A.
 - c. If HOME Program monies are utilized, eleven (11) of the eighty-six (86) housing units shall be covenanted as designated HOME Program units with affordable rent charged to the tenant household. No less than three (3) units must be restricted at the low HOME rent and eight (8) units at the high HOME rent under the HOME Program. Further, all housing units at the Project, except for the HOME units which shall be subject to a twenty (20) year restriction, shall be restricted as set forth herein and in the Agreement for a minimum of fifty-five (55) years pursuant to a regulatory agreement with conditions, covenants and restrictions restricting the Developer's and successors' use, ownership, operation, management, maintenance, transfer and financing of the Project, and such fifty-five (55)-year regulatory agreement shall be recorded against the Project in the Official Records, County of Orange, California.
4. No units within the Project shall be restricted on the basis of age.
 5. Execution of the Agreement shall be in a form to be reviewed and approved by Anaheim's City Attorney or special counsel.
 6. The HOME Program funds for the Anaheim Loan will be transferred by the City to the Authority pursuant to a cooperation agreement to be considered and action taken by and between the City and Authority pursuant to the HOME Program.
 7. If HOME Program moneys are used to make any portion of the Anaheim Loan, NCRC shall comply with the HOME Program and applicable federal regulations set forth in 24 CFR Part 92 (as amended by the 2013 HOME Final Rule) and 24 CFR Part 983.
 8. If Housing Asset Funds are used to make the Anaheim Loan, NCRC shall comply with all applicable requirements of the California Community Redevelopment Law, Health and Safety Code Section 33000, et seq., and the Dissolution Act,

Health and Safety Code Section 34170, et seq., in particular Sections 34176 and 34176.1.

9. NCRC shall comply with the HAL and any and all other applicable federal, state and local laws and regulations.
10. NCRC shall comply with and complete environmental review of the Project pursuant to all applicable federal and state laws and regulations, including the California Environmental Quality Act ("CEQA") and the National Environmental Protection Act ("NEPA") and approval thereof, as applicable.
11. Receipt of Subsidy Layering Review approval from TCAC. (Pursuant to July 2010 HUD Notice, TCAC may, and is now, performing Subsidy Layering Review for and on behalf of HUD.)
12. Determination of the HUD "fair market rent" for purposes of implementing the PBVs for the Project will be based and contingent upon approval of an independent appraisal.
13. The Agreement will require that, except for the PBV assistance to be applied to eight (8) Housing Units at the Project during the term of the HAP Contract, the Developer will not charge more than an Affordable Rent (at the levels prescribed therein) for all Housing Units at the Project; notwithstanding that the Developer may accept tenants holding portable Section 8 vouchers or certificates. Except for HOME Program units, "Affordable Rent" will be determined and calculated pursuant to applicable provisions of the Federal Tax Credit Rules. Maximum occupancy of the Housing Units shall not exceed more than such number of persons as is equal to two (2) persons per bedroom, plus one (1).
14. If HOME Program funds are used to provide the Anaheim Assistance, for the twenty (20)-year term required by the HOME Program, all housing units at the Project must pass HOME Program construction, occupancy, and physical condition requirements as well as federal Housing Quality Standards annual inspections, (and other standards, as applicable) at the completion of construction and thereafter, as required by HOME Program regulations as amended by the 2013 HOME Final Rule, and meet federal program limitations and other applicable federal, state and local laws and regulations as to be set forth in the Agreement.
15. In connection with the development of the Project and subject to compliance with the TCAC Regulations, the Developer will be entitled to a developer fee in the amount not to exceed Two Million Two Hundred Thousand and No/100ths Dollars (\$2,200,000.00).
16. As and if applicable, the Developer 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 Developer understand that such laws and regulations include exemptions that may apply to

the Project, but under the Agreement the Developer will assume responsibility for and indemnify the Authority (and the City) relating to the Prevailing Wage Laws as such may be applicable to the Project.

17. The Anaheim Loan proceeds will be disbursed during construction at such time as all funding sources are committed and available for disbursement, and subject to such terms and conditions precedent as are customary for disposition and development agreements entered into by the Authority.
18. The Agreement shall provide that the Closing and each of the following conditions precedent shall be met prior to the disbursement of any portion of the Development Loan:
 - a. 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, subject only to the completion of grading of the Site for the Project.
 - b. The 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. Such financing and funding shall be sufficient to pay all development costs of the Project, through lease-up, as set forth in a final budget (to be defined in the Agreement) and consistent with the approved proforma (or as otherwise approved by Anaheim).
 - c. The Developer shall have provided evidence to Anaheim that the Developer has obtained insurance policies, certificates, and additional insured or other endorsements therefor acceptable to Anaheim, as described in the Agreement.
 - d. The Developer shall have provided construction security in favor of Anaheim, which may include either (i) a completion guarantee from NCRC and/or (ii) a letter of credit, and/or payment and performance bonds from the general contractor and subcontractors for the Project (or some combination of any or all of the 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, and otherwise in compliance with applicable federal and state laws, and placed in service within the time set forth in the schedule for the Project as approved by Anaheim.
 - e. The Developer shall submit and obtain approval of the Authority for (i) the construction contract with its general contractor and the subcontracts therefor, (ii) the limited partnership agreement for the limited partnership entity to be formed to own and operate the Project under the Ground Lease, (iii) management, scope and funding for all required supportive services, and (iv) the marketing and tenant selection plans for the Project.
19. The Agreement shall provide that each of the following conditions precedent shall be met prior to the release of the PBVs:

- a. A final certificate of occupancy for completion of the Project shall have been issued by the City's building official.
 - b. The final HAP contract has been duly entered into between the Authority and the Developer pursuant to the Section 8 Laws and all other applicable federal, state and local laws and regulations.
 - c. The Developer shall have maintained and have on file with Anaheim up-to-date insurance policies and certificates or endorsements therefor acceptable to Anaheim, as described in the Agreement.
 - d. The Developer shall have prepared, and the Authority shall have approved, a detailed Social and Supportive Services Plan ("Social Services Plan"), which shall describe the social and supportive services to be provided at the Project, and a detailed budget for the social and supportive services described in the Social Services Plan. The Social Services Plan shall further describe the goals and objectives of the social and supportive services to be provided at the Project. The approved Social Services Plan shall be made a part of the HAP contract and contingent on final HAP approval for the PBVs. 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). 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.
20. The Authority and Developer will implement a residency preference plan that prioritizes occupancy for families who live, work or have been hired to work in Anaheim.
 21. Anaheim's preliminary award of the Anaheim Assistance is and shall remain subject to all covenants, conditions, and restrictions set forth in the Agreement, and in particular Anaheim's analysis of all the available funding sources and development and operating costs of the Project and the overall economic feasibility of the Project, including without limitation all funding sources and terms therefor including the supportable debt (construction and permanent financing), market value of Tax Credits and tax credit investor equity, deferred developer fee, if any, and other subordinate debt, if any.
 22. 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 of Sixty Dollar and No Cents (\$60.00) per unit 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. An amount to accommodate the Annual Monitoring Fee(s) should be included in the Developer’s annual project budget.

23. The following architectural enhancements shall be incorporated into the project design and shall be reflected in the final construction drawings for the project:
 - a. Metal awnings to be added strategically at the 1st and 3rd level windows.
 - b. Soft element material/siding shall be added (in a complimenting light, warm-toned material to the poured form concrete brick veneer) along the ground level units facing Midway, Zeyn and at the interior courtyard adjacent to the amenities.
 - c. Balcony railing must wrap-fully around with the decorative teal material.
 - d. Decorative Vehicular Gates (Art Piece).
 - e. Decorative hardscape at parking entry and Midway/Anaheim entry areas. See attached example.
 - f. Varying color palette to be added at interior parking court west and north elevations and metal awnings strategically at the 2nd and 4th level windows.
 - g. Enhanced tenant improvement design/finishes to be added in the Flex Space.
 - h. Enhanced Art to be added.

24. By consideration and action to approve this Preliminary Award Letter, Anaheim hereby authorizes the Executive Director to sign this Preliminary Award Letter on behalf of Anaheim (both the City and the Authority). Further the Executive Director is authorized to cause to be prepared and executed the Agreement, including the AHAP and HAP contracts for the PBVs, in implementation of this Preliminary Award Letter so long as the terms and provisions of the Agreement and each and all implementing agreements and instruments therefor are substantially consistent, financially and legally, with this Preliminary Award Letter.
 - a. Further, the Executive Director (or his/her duly authorized representative) is authorized to implement the Agreement and take all further actions and execute all documents referenced therein and/or necessary and appropriate to carry out the transaction contemplated by this Preliminary Award Letter, and thereafter the Agreement 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 Preliminary Award Letter and the Agreement, as necessary to properly implement and carry out the Project provided any and all such changes shall not in any manner substantially affect Anaheim’s rights and obligations under this Preliminary Award Letter and the Agreement.

Michael Ruane

National Community Renaissance of California

May 24, 2021

Page | 14

- b. In addition, the Executive Director is authorized, on behalf of both the City and the Authority, to sign all other documents necessary or appropriate to carry out and implement this Preliminary Award Letter, the Agreement and 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 consistent with this Preliminary Award Letter and the Agreement. Any and all substantial changes to this Preliminary Award Letter or to the terms and provisions of the Agreement and implementing agreements and instruments thereto shall require the consideration and action of the City Council and/or the Authority Board, as applicable.

In addition to the foregoing, notwithstanding any statement set forth in this Preliminary Award Letter or provisions of the Agreement, when negotiated between or among the parties, the Developer, the City and the Authority agree and acknowledge that the Agreement will not constitute a commitment of federal funds, and that such commitment of funds may occur only upon satisfactory completion of environmental review and receipt by the Authority and/or the City, as applicable, of a release of funds from and by HUD under 24 CFR Part 58. The Developer and Anaheim will further agree in the Agreement that the provision of any federal funds to the Project is and shall be conditioned on Anaheim's determination to proceed with, modify or cancel the Anaheim Assistance based on the results of a subsequent NEPA environmental review and the outcome of the Subsidy Layering Review.

The Developer and Anaheim are further prohibited from undertaking or committing any federal funds to physical or choice-limiting actions, including property acquisition, demolition, movement, rehabilitation, conversion, repair or construction prior to the environmental clearance; the Developer and Anaheim understand that the violation of this provision may result in the denial of any federal funds hereunder and under the Agreement.

[Preliminary Award Letter and signature blocks continued on next page]

Michael Ruane

National Community Renaissance of California

May 24, 2021

Page | 15

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

Sincerely,

City of Anaheim and Anaheim Housing Authority

By: Grace Stepter, Acting Executive Director

AGREED AND ACCEPTED

this ___ day of _____, 2021:

NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA, a California nonprofit public benefit corporation

By: _____
Michael Ruane

EXHIBIT A

NCRC PROJECT
AFFORDABLE HOUSING UNITS
MATRIX OF UNIT-MIX BY INCOME AND BEDROOM SIZE

Bedroom	Quantity	AMI
1	17	30%
1	4	40%
1	8	50%
2	8	30%
2	5	40%
2	13	50%
2	8	60%
3	3	30%
3	1	40%
3	8	50%
3	10	60%
2*	1	100%*

*Manager's Unit (not limited)

**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 THE CITY OF ANAHEIM
AND
NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA**

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 (Preliminary Award Letter) by and between the Anaheim Housing Authority (Authority), the City of Anaheim (City), and National Community Renaissance of California (Developer).

Between 2001 - 2002, the Anaheim Redevelopment Agency (Agency) used Property Tax Increment Housing Set-Aside (Set-Aside) funds, Tax-Exempt Housing Bonds (Tax-Exempt Bonds), and Taxable Housing Bonds (Taxable Bonds) to purchase the property located at 1441-1455 S. Anaheim Boulevard and 110 W. Midway Drive (Site). In September 2007, prior to the dissolution of redevelopment in California, this property was transferred to the Authority. The 2.26 acre Site is generally located at the southwest corner of S. Anaheim Boulevard and W. Midway Drive.

The Preliminary Award Letter provides for the Authority to ground lease the Site to the Developer for a period of at least 55 years. The Developer proposes to construct and operate an 86-unit apartment project that will be subject to long-term income and affordability covenants. Eighty-five (85) 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 Preliminary Award Letter is focused on the conveyance of the Site in the form of a ground lease that will remain in effect for a period of not less than 55 years. In addition, the Authority and the City will provide financial assistance to the Developer per the requirements imposed by the Preliminary Award Letter (together, "Anaheim Assistance").

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 Preliminary Award Letter, and is organized into the following seven sections:

- I. **Salient Points of the Preliminary Award Letter:** This section summarizes the major responsibilities imposed on the Authority, the City and the Developer by the Preliminary Award Letter.
- II. **Cost of the Preliminary Award Letter to the City and the Authority:** This section details the total cost to the City and the Authority associated with implementing the Preliminary 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 Preliminary Award Letter.
- V. **Consideration Received and Comparison with the Established Value:** This section describes the compensation to be received by the Authority and the City, 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 Preliminary Award Letter will assist in alleviating the blighting influence.
- VII. **Conformance with the AB1290 Implementation Plan:** This section describes how the Preliminary Award Letter achieves goals identified in the Agency's adopted AB1290 Implementation Plan.

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

I. SALIENT POINTS OF THE PRELIMINARY AWARD LETTER

A. Project Description

The following describes the scope of development for the Project:

1. The Project will include 86 apartment units which will be constructed in a housing complex consisting of a three-story and a four-story building wrapping around a surface parking area and outdoor amenities.
2. The Project's unit mix is as follows:
 - a. Twenty-nine (29) one-bedroom units;
 - b. Thirty-five (35) two-bedroom units; and
 - c. Twenty-two (22) three-bedroom units.
3. The surface parking area will consist of 129 parking spaces.
4. The project will include 26,392 square feet of "Recreation/Leisure" area(s), including a resident pool and clubroom, pool building, dog park/dog wash area, children's play area tot-lot, and a roof deck and flex space for social services.
5. Eight (8) of the Project units will be set aside for homeless households.
6. The Affordable Rents will be determined and calculated pursuant to Tax Credit Rules.
7. The Project's affordability mix is summarized as follows:
 - a. Seventeen (17) 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. Four (4) one-bedroom units must be rented to Very-Low Income households earning less than or equal to 40% AMI;
 - c. Eight (8) one-bedroom units must be rented to Very-Low Income households earning less than or equal to 50% AMI;
 - d. Eight (8) two-bedroom units must be rented to Extremely Low Income households earning less than or equal to 30% AMI;
 - e. Five (5) two-bedroom units must be rented to Very-Low Income households earning less than or equal to 40% AMI;

- f. Thirteen (13) two-bedroom units must be rented to Very-Low Income households earning less than or equal to 50% AMI;
 - g. Eight (8) two-bedroom units must be rented to Low Income households earning less than or equal to 60% AMI;
 - h. Three (3) three-bedroom units must be rented to Extremely Low Income households earning less than or equal to 30% AMI;
 - i. One (1) three-bedroom unit must be rented to Very-Low Income households earning less than or equal to 40% AMI;
 - j. Eight (8) three-bedroom units must be rented to Very-Low Income households earning less than or equal to 50% AMI;
 - k. Ten (10) three-bedroom units must be rented to Low Income households earning less than or equal to 60% AMI; and
 - l. One unit must be rented to an on-site manager.
8. The 85 affordable 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.
9. If HOME Program funds are utilized, eleven (11) of the eighty-six (86) units shall be covenanted as designated HOME Program units. No less than three (3) units must be restricted at the Low HOME rent and eight (8) units at the High HOME rent. All housing units at the Project, except for the HOME units which shall be subject to a twenty (20) year restriction, shall be restricted for a minimum of fifty-five (55) years.

B. Authority and City Responsibilities

The Preliminary Award Letter requires the Authority and the City to accept the following responsibilities:

- 1. The Authority will convey the Site to the Developer in the form of a long-term ground lease of not less than 55-years for the purposes of constructing and operating the Project.
- 2. The Ground Lease will have the following terms:
 - a. The Ground Lease will have a term of not less than 55 years; and

- b. The value of the ground leasehold interest in the Site is \$7.20 million.
3. The Authority and the City will provide the Developer with a not less than \$13.23 million loan (collectively, "Anaheim Loan") based on the following:
 - a. The Authority will loan the fair market value of the Site to the Developer. The fair market value (appraised value of the Site) is estimated at \$7,200,000.
 - b. The Authority will loan the cumulative fees, costs and expenses incurred by the Authority and City during the period beginning on January 22, 2001 and ending on the date of Closing of Financing. This amount is estimated at \$449,098.
 - c. The Authority will provide Park Fee Credits to the Project structured as a loan. This amount is estimated at \$465,155 and will be included in the Anaheim Loan.
 - d. The City will defer the Developer's payment of the assessed Transportation Impact and Improvement Fee (Transportation Fee). This amount, currently estimated at \$111,542, will be included in the Anaheim Loan.
 - e. A development loan of approximately \$5,000,000 ("Development Loan") will be provided to the Project. The Development Loan will be sourced from a combination of federal HOME Program funds and/or the Authority's Low and Moderate Income Housing Asset Funds (Housing Asset Funds).
4. The final Anaheim Loan amount will be determined based on an updated Financial Gap Analysis and subject to a subsidy layering analysis, which will occur prior to the Closing of Financing. Any increase in the Anaheim Loan amount will be subject to approval by the Anaheim City Council (the "City Council") and Board of Commissioners of the Authority (the "Authority Board").
5. The Anaheim Loan will have the following terms:
 - a. The Anaheim Loan will bear three percent (3%) simple interest per annum.
 - b. The Anaheim Loan will have a not less than 55-year loan term. Any outstanding principal and interest will be due and payable upon the 55th anniversary of the date of Closing or earlier upon sale, non-permitted refinancing or default.
 - c. The Anaheim Loan (whether documented as one or two loans, evidenced by one or two promissory notes), will be a residual receipts loan in a lien position subordinate to the deed of trust securing the Developer's Primary Loan.
 - d. The Anaheim Loan will be repaid from an 85% share of the Project's total Residual Receipts. If necessary, the Residual Receipts will be shared with other lenders with applicable percentages subject to negotiation.

- e. If the Anaheim Loan is repaid in full before the termination of the Ground Lease term, Ground Lease rent will be paid to the Authority in an amount equal to 85% of Residual Receipts, subject to permissibility under existing statutes and/or regulations.
6. If eighty-six (86) units are developed at the Project, the Authority will provide eight (8) project-based vouchers (“PBV’s”) and enter into a Housing Assistance Payment Contract (“HAP”) with the Developer for a term of fifteen (15) years.
7. If the Developer cannot obtain an allocation of 9% Tax Credits from the California Tax Credit Allocation Committee (TCAC) in the second round application cycle of 2021 or the first round application cycle of 2022, the Authority will agree to allow one additional application to TCAC for an allocation of 9% Tax Credits in the second round of 2022. However, the Authority shall have no obligation to increase or amend the amount of Anaheim Assistance described in the Preliminary Award Letter.

C. Developer’s Responsibilities

The Preliminary 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 have a term of not less than 55 years; and
 - b. The value of the ground leasehold interest in the Site is \$7.20 million.
2. The Preliminary Award Letter is premised on the Developer applying and obtaining funding from the following sources:
 - a. In 2021, the Developer shall apply for a reservation of 9% federal Tax Credits awarded by the California TCAC in the 2021 second application cycle.
 - b. If the Developer does not obtain the required funding sources in 2021, the Developer may apply for a reservation of 9% federal Tax Credits awarded by TCAC in the 2022 first application cycle.
 - c. If the Developer’s first round 2022 application is unsuccessful, the Authority will agree to allow for one additional application to TCAC for a reservation of 9% Tax Credits in the second round of 2022.
 - d. If the Developer cannot obtain the above-mentioned funding sources in 2021 or 2022, the Authority and City shall have no obligation to increase the amount of Anaheim Assistance to the Project.

3. The Developer shall prepare and submit for approval to the City and the Authority the documents to implement the Density Bonus, including the Housing Incentives Agreement.
4. The Developer shall obtain all the required land use approvals, entitlements and permits necessary for the development of the Site.
5. No housing units within the Project may be restricted on the basis of age.
6. The Developer shall limit the Developer Fee to no more than \$2.2 million in compliance with TCAC Regulations.
7. The Developer shall pay an “Annual Monitoring Fee” to the Authority of Sixty Dollars and No Cents (\$60.00) per unit with annual adjustment.
8. The Developer shall comply with all State and Federal Prevailing Wage Laws.
9. The Developer shall comply with all state and local laws and regulations for public works projects.
10. The Developer shall comply with all Federal and State environmental laws.
11. If HOME Program funds are utilized in any portion of the Anaheim Loan, the Developer shall comply with the HOME Program and applicable federal regulations for the twenty (20) year term required by the HOME Program.
12. If Housing Asset Funds are utilized in any portion of the Anaheim Loan, the Developer shall comply with all applicable requirements of the California Community Redevelopment Law, Health and Safety Code Section 33000, et seq., and the Dissolution Act.
13. Subject to satisfaction of the Preliminary Award Letter, the Developer will enter into an Affordable Housing Agreement (Agreement). The following requirements will be imposed on the Developer in the Agreement:
 - 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. Obtain Authority approval for the construction contract with the general contractor and all related subcontractors, the limited partnership agreement for the entity formed to own and operate the Project, the supportive services management and funding plan, and a marketing and tenant selection plan.
- g. Prior to release of the PBV's, the following conditions must be met:
 - i. A final certificate of occupancy for the Project shall have been issued;
 - ii. The final HAP contract shall have been executed between the Authority and the Developer pursuant to Section 8 Laws and all other applicable regulations;
 - iii. All required insurance policies, certificates and other endorsements will have been provided to the Authority.
 - iv. A Social and Supportive Services Plan with a detailed budget will have been prepared for and approved by the Authority.
- h. The Developer will coordinate with the Authority to implement a residency preference plan that prioritizes occupancy for families who live, work, or have been hired to work in the City of Anaheim.
- i. Certain architectural enhancements will be incorporated into the project as requested by the Preliminary Award Letter.
- j. Any cost savings and/or permanent sources in excess of project costs shall be used to pay down the Anaheim Loan subject to compliance with TCAC regulations.

II. COST OF THE PRELIMINARY AWARD LETTER TO THE CITY AND THE AUTHORITY

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

Property Acquisition Cost	\$1,420,000
Demolition / Remediation Costs	123,000
Property Management Costs	209,000

Bond Interest	791,000
Miscellaneous Costs	117,000
Total Cost	\$2,660,000

The City and the Authority intend to provide a not less than \$13.23 million Anaheim Loan to the Developer. The Anaheim Loan includes \$449,000 of the demolition/remediation costs, relocation costs, property management costs and miscellaneous costs outlined in the table above.

It is anticipated that the \$13.23 million Anaheim 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 Anaheim 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 February 23, 2021 estimates the fair market value of the Site between \$6.80 million to \$7.20 million.

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 Preliminary Award Letter. The KMA analysis concluded that the fair reuse value of the Site is negative \$6.02 million.

It is important to note that this reuse value is predicated on the assumption that the Project will receive the 9% Tax Credits. If these funds 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 Preliminary Award Letter imposes extraordinary controls on the Project. The impacts created by these requirements reduce the value of the Project from \$7.20 million at the highest use permitted under the current zoning, to the established fair reuse value of negative \$6.02 million.

The Preliminary Award Letter treats the \$13.23 million Anaheim 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 Anaheim Loan.

VI. BLIGHT ELIMINATION

The Project includes 85 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 Agency's AB1290 Implementation Plan for 2010 to 2014 contemplates the development of affordable housing within the Merged Project Area. Specifically, the Commercial/Industrial Redevelopment Project Area along the South Anaheim Boulevard Corridor includes the Site located at 1441 South Anaheim Boulevard. One of the goals listed for this Project Area is the conversion of obsolete commercial and industrial uses to residential uses. Therefore, the proposed Project is in conformance with the AB1290 Implementation Plan.