



City of Salinas

COMMUNITY DEVELOPMENT DEPARTMENT

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September 11, 2024

Zulieka Boykin, Executive Director/President/CEO
Housing Authority of the County of Monterey
303 Front Street #107
Salinas, CA 93901

RE: Conditional Commitment Letter – Funding for the Division Street Properties Affordable Housing Development

Dear Ms. Boykin:

We are pleased to inform you that the City of Salinas Local Housing Trust (“SLHT”) has approved a commitment for an affordable housing development loan in the amount of \$3,080,000 to the Housing Authority of the County of Monterey (“Borrower”) for the development of the East Market & Division Street Affordable Housing Development project (“Project”) located in Salinas, CA.

The purpose of the loan is to provide funding for the construction of new affordable housing residences at incomes of 80 percent of Area Median Income and below. As noted below, this Commitment is contingent on the Borrower securing sufficient other funds as may be necessary for the for the project as well as the Borrower’s execution of final documents and is subject to the terms and conditions set forth in this letter.

LOAN AMOUNT: \$3,080,000

- \$1,380,000 in appraised land value and
- \$1,700,000 in cash

OF UNITS: Minium of 48 units

INTEREST RATE: Three percent (3%), simple interest

TERM OF LOAN: Up to five (5) years for a no interest Construction Loan, which will convert to a Permanent Loan with interest as set forth above a term of plus Fifty-five (55) years from the issuance of the Certificate of Occupancy.

SECURITY: SLHT Trust Deed, which will be subordinated to other lenders and/or investors

REGULATORY AGREEMENT: A Regulatory Agreement with a fifty-five (55) year term from the date the Certificate of Occupancy or Placed in Service Date is issued to the Project, which specifies, among other requirements, eligible occupancy standards, affordability requirements, and minimum operating and replacement reserves

AFFODABILITY RESTRICTIONS: The affordability requirements will be recorded with a Declaration of Restrictive Covenants executed at closing. Except as approved by the SLHT, all projects shall be required to maintain the project's affordability for the fifty-five (55) term of the restrictive covenant, regardless of whether the loan is fully repaid

DISBURSEMENT: SLHT shall disburse predevelopment and construction loan funds as the Project is under design, development, and construction in amounts appropriate to the percentage of project completion

SOURCE OF CITY LOAN FUNDS:	City 2023 LHTF - Land (Matching Funds):	\$1,380,000
	City 2023 LHTF - General Fund (Matching Funds):	\$160,000
	State 2023 LHTF (Program Funds):	<u>\$1,540,000</u>
	Total Loan Amount:	<u>\$3,080,000</u>

GENERAL CONDITIONS OF THE LOAN:

The following conditions apply to the SLHT's loan commitment. The SLHT may waive conditions at its sole discretion.

1. SLHT receipt and approval of Phase I and II Environmental Site Assessment acceptable to the SLHT in its reasonable discretion. If the Environmental Site Assessment is submitted to and accepted by the U.S. Department of Housing and Urban Development ("HUD") such acceptance shall also be deemed approval by SLHT.
2. SLHT receipt and approval of an updated Geotechnical Report and soils report, taking into consideration building design, reasonable acceptable to the SLHT in its sole discretion. If the Geotechnical Report and Soils Report is submitted to and accepted by HUD, such acceptance shall also be deemed approval by SLHT.
3. SLHT Commitment is contingent upon compliance with the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA), if applicable, and all applicable historical analysis to the reasonable satisfaction of the SLHT and HUD; provided that HUD approval shall constitute

SLHT approval.

4. SLHT receipt of an ALTA Lender's Title Insurance Policy in the amount of the total SLHT loan.
5. Evidence that Borrower has obtained insurance as required by the SLHT's Risk Manager.
6. Evidence, in the form of a Board Resolution and Board Meeting Minutes that the Borrower's Board of Directors has approved the proposed Project.
7. Borrower's receipt of all applicable regulatory approvals and issuance of a building permit for the Project from the City of Salinas ("City").
8. SLHT's receipt and approval of a list of all contractors, subcontractors, consultants, and material suppliers to be employed in the Project. The borrower will require performance bonds and payment bonds on all contracts and subcontracts, in the form and substance acceptable to the SLHT.
9. SLHT's receipt of predevelopment contracts, final plans, and specifications for the construction of the Project. The SLHT will require an assignment to third party lenders or investors of any such plans, subject to priority assignment, of Borrower's ownership interest in and to the plans, and specifications as security for the loan.
10. SLHT's receipt and approval of a final construction budget and a final financial feasibility analysis, which will specify the manner in which loan proceeds will be disbursed.
11. SLHT's receipt and approval of any construction contracts. Construction contracts must specify that the payment of State prevailing wages and/or Davis Bacon Wages applicable shall the project receive federal funds. SLHT will require an assignment, subject to priority assignment to third party lenders or investors of Borrower's interest in and to any such construction contracts as security for the loan, and Borrower shall use its commercially reasonable business efforts to obtain contractor consent to said assignment. Contractor must provide a performance bond and a payment bond in form and substance acceptable to the SLHT.
12. SLHT receipt and approval of a construction management contract, if applicable. Borrower's execution and delivery of SLHT's standard loan documents, and compliance with all covenants and conditions set forth in said loan documents or as SLHT or their counsel may determine based on a review of Borrower's submissions as required by this Commitment.
13. This loan will be monitored over its term, and this Project will be monitored over the term of the Regulatory Agreement. Borrower understands that it will be

required to complete monitoring reports, as reasonably required by SLHT, in a timely fashion.

14. SLHT liens shall be recorded, as subordinate financing, subject only to exceptions approved by SLHT in its sole discretion.

15. Borrower's assurances, as SLHT deems reasonably necessary, that the property condition and Borrower financing condition remain substantially the same as represented at the time of commitment.

Project Name: Division Street Properties Affordable Housing Development

Project Status: Predevelopment

Effective Date: The conditional commitment letter is effective on the date of the Borrower's signature.

This letter of intent is not intended to describe all of the requirements, terms, conditions, and documents necessary for the loans. A loan agreement, including the promissory note, deed of trust, regulatory agreement, and related documents, will be prepared for approval by the City of Salinas legal counsel and shall include all provisions and attachments customarily included in SLHT affordable housing loan agreements.

Please sign the attached copy of this letter and return it to us as soon as possible, to acknowledge acceptance of the terms and conditions contained in this letter.

Sincerely,

Rene Mendez, City Manager
City of Salinas

ACKNOWLEDGED AND ACCEPTED:

Housing Authority of the County of Monterey

Zulieka Boykin, Executive Director/President/CEO

Date