



CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

915 Capitol Mall, Room 311
Sacramento, CA 95814
p (916) 653-3255
f (916) 653-6827
cdlac@treasurer.ca.gov
www.treasurer.ca.gov/cdlac

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EXECUTIVE DIRECTOR

JEREE GLASSER-HEDRICK

May 18, 2016

Olson Lee
Director
City and County of San Francisco
One South Van Ness Avenue, 5th Floor
San Francisco, CA 94103

RE: RESOLUTION ATTESTING TO THE TRANSFER OF PRIVATE ACTIVITY BOND ALLOCATION

Dear Mr. Lee,

Enclosed is a copy of Resolution No. 16-44, adopted by the California Debt Limit Allocation Committee (the "Committee") on May 18, 2016, authorizing the City and County of San Francisco to use \$18,337,000 of its unused 2015 Carryforward Allocation, for the 2698 California Apartments Project.

While your application was for a portion of the 2016 State Ceiling on Qualified Private Activity Bonds, because you had remaining carryforward allocation, the Committee decided to transfer some or all of that allocation to this Project. The Resolution establishes the terms and conditions under which the allocation has been granted. Please read it carefully and keep a copy in your permanent files. You are advised to consult bond counsel regarding the making of a carryforward election pursuant to the rules of the Internal Revenue Service.

The following is additional information pertaining to the use of the allocation for this Project:

1. Performance Deposit: Pursuant to Section 5050 of the Committee's Regulations, the performance deposit certified in support of this project (\$91,685) is to remain on deposit until you receive written authorization from the Committee that it may be released. This written release will be provided once the Committee receives the "Report of Action Taken" form indicating that the allocation transferred was used for the issuance of bonds for the specific Project and the payment of the second installment of the CDLAC filing fee. The full amount of the deposit will be released upon the Committee's approval if at least 80% of the allocation is used for the issuance of bonds. If an amount less than 80% of the allocation is used to issue bonds, a proportionate amount of the deposit will be subject to forfeiture.
2. Reporting of Issuance: Enclosed is a "Report of Action Taken" form to be used to report the issuance of bonds pursuant to Section 9 of the Resolution.
3. IRS Certification: The IRS-required certification will be prepared and sent to bond counsel once the Committee receives the "Report of Action Taken" form.

4. Second Installment of Filing Fee: **Enclosed is an invoice for this Project.** Please note that this is a change from past practice where the Committee's invoice for the second installment of the filing fee was sent with the IRS Certification after the Report of Action Taken. The Committee will no longer forward an invoice with the IRS Certification. The invoice attached herein should be considered final, due and payable upon the issuance of bonds.

5. Certification of Compliance: Enclosed is a Certification of Compliance to be submitted to the Applicant annually by the Applicant's specified deadline, but no later than March 1st of each year on sponsor letterhead pursuant to Section 13 of the Resolution. In addition, an Annual Applicant Public Benefits and On-going Compliance Self-Certification form must be submitted annually on March 1st of each year pursuant to Section 5144 of the CDLAC Regulations. A copy of the Certification of Compliance form may be found at this website location: <http://www.treasurer.ca.gov/cdlac>.

Please consult the Committee's Regulations for a full explanation of the use of allocation. Do not hesitate to contact me should you have questions.

Sincerely,



JEREE GLASSER-HEDRICK
Executive Director

Enclosures

c: Faith Kirkpatrick, City and County of San Francisco
Steve Spitz, Esq., Orrick, Herrington & Sutcliffe LLP
Helen Lee, 2698 California, LP

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

RESOLUTION NO. 16-44

**A RESOLUTION TRANSFERRING A PORTION OF THE 2016 STATE CEILING
ON QUALIFIED PRIVATE ACTIVITY BONDS FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT**

WHEREAS, the California Debt Limit Allocation Committee ("Committee") has received an application ("Application") from the City and County of San Francisco ("Applicant") for the transfer to the Applicant of a portion of the 2016 State Ceiling on Qualified Private Activity Bonds under Section 146 of the internal Revenue Code of 1986, as amended, for use by the Applicant to issue bonds or other obligations ("Bonds") for a Project as specifically described in Exhibit A ("Project") (capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Regulations of the Committee implementing the Allocation of the State Ceiling on Qualified Private Activity Bonds); and

WHEREAS, the Project Sponsor has represented and the Applicant has confirmed in the Application certain facts and information concerning the Project; and

WHEREAS, in evaluating the Project and allocating a portion of the State Ceiling on Qualified Private Activity Bonds to the Applicant for the benefit of the Project, the Committee has relied upon the written facts and information represented in the Application by the Project Sponsor and the Applicant; and

WHEREAS, previously the Committee transferred to the Applicant a portion of the 2015 State Ceiling on Private Activity Bonds for rental projects on a carryforward basis ("Carryforward Allocation"); and

WHEREAS, to fully utilize the remaining Carryforward Allocation, the Committee must approve its transfer to other projects with the same issuer; and

WHEREAS, it is appropriate for the Committee to make a transfer of a portion of the 2016 State Ceiling on Qualified Private Activity Bonds ("Allocation") in order to benefit such Project described in the Application and/or to authorize the transfer of remaining Carryforward Allocation to the Projects described in the Application; and

NOW, THEREFORE, the California Debt Limit Allocation Committee resolves as follows:

Section 1. There is hereby transferred to the Applicant authorization to use \$18,337,000 of its remaining 2015 Carryforward for the Project. Such Allocation may be used only by the Applicant and only for the issuance of Bonds for the Project, as specifically described in Exhibit A. All of the terms and conditions of Exhibit A are incorporated herein as though set forth in full (this resolution, together with Exhibit A are hereafter referred to collectively as this "Resolution").

Section 2. The terms and conditions of this Resolution shall be incorporated in appropriate documents relating to the Bonds. The Project Sponsor and the Applicant, and all their respective successors and assignees, will be bound by such terms and conditions. The Applicant shall monitor the Project for compliance with the terms and conditions of this Resolution. In addition, the Project shall be subject to the monitoring provisions of California Code of Regulations, title 4, section 10337(c) and section 5220 of the Committee's Regulations.

Section 3. Any modification to the Project made prior to the issuance of the Bonds must be reported to the Executive Director and, if the Executive Director determines such modification to be material in light of the Committee's Regulations, shall require reconsideration by the Committee before the Allocation may be used for the Project. Once the Bonds are issued, the terms and conditions set forth in this Resolution shall be enforceable by the Committee through an action for specific performance or any other available remedy. The Committee may consent to changes in the terms and conditions set forth in this Resolution as changed circumstances may dictate.

Section 4. Any material changes in the structure of the bond sale structure prior to the issuance of the Bonds and not previously approved by the Committee shall require approval of the Committee Chair or the Executive Director.

Section 5. The transfer of proceeds from the sale of bonds to a project other than the Project subject to this Resolution is allowable only with the prior approval of the Executive Director in consultation with the Chair, except when the Project is unable to utilize any of its allocation and the Applicant is requesting the transfer of the entire Allocation to different project(s). In such case, prior approval of the Committee must be obtained. Any transfer made pursuant to this section may only be made to another project of the same issuer that has been previously approved by the Committee.

Section 6. The Applicant is not authorized to use any Allocation transferred hereby from the 2016 State Ceiling to make a carryforward election with respect to the Project. The Applicant is not authorized to transfer any Allocation or Carryforward Allocation to any governmental unit in the State other than this Committee.

Section 7. The Allocation transferred herein to the Applicant shall automatically revert to this Committee unless the Applicant has issued Bonds for the Project by the close of business on **November 28, 2016**. Upon the discretion of the Executive Director, the expiration may be extended pursuant to the provisions in Article 8, Chapter 1 of the Committee's Regulations.

Section 8. Within twenty-four (24) hours of using the Allocation to issue Qualified Private Activity Bonds, the Applicant shall notify the Committee at CDLAC@treasurer.ca.gov that the Allocation has been used. This notice shall identify the Applicant, the project or program, the date the Allocation was used, and the amount of Allocation used.

Section 9. Within fifteen (15) calendar days of the Bond closing, the Applicant or its counsel shall formally transmit to the Committee information regarding the issuance of the Bonds by submitting a completed Report of Action Taken in a form prescribed by and made available by the Committee.

Section 10. Any differences between the amount of Bonds issued and the amount of the Allocation granted in Section 1 of this Resolution shall automatically revert to the Committee. If at any time prior to the expiration date set forth in Section 7 hereof the Applicant determines that part or all of the Allocation will not be used to issue Bonds by that date, the Applicant shall take prompt action by resolution of its governing Board or by action of its authorized officer to return such unused Allocation to the Committee. Any unused amount of the Carryforward Allocation authorized in Section 1 of the Resolution shall be retained by the Applicant for the period allowed by Section 146.f.3.A. of the Internal Revenue Code regarding carryforward elections. Use of any unused Carryforward Allocation shall be in accordance with Section 5132 of the Committee's Regulations regarding carryforward elections.

Section 11. The staff of the Committee is authorized and directed to transmit a copy of this Resolution to the Applicant together with a request that the Applicant retain a copy of this Resolution in the Applicant's official records for the term of the Bonds under this Allocation or the term of the income and rental restrictions, whichever is longer. The Committee staff is further directed to retain a copy of this Resolution in the files of the Committee (or any successor thereto) for the same period of time.

Section 12. In consideration of the Allocation transferred to, and the Carryforward Allocation authorized for use by the Applicant and the Project Sponsor, the Applicant and the Project Sponsor shall comply with all of the terms and conditions contained in this Resolution and ensure that these terms and conditions are included in the documents related to the Bonds. Further, the Applicant and the Project Sponsor expressly agree that the terms and conditions of this Resolution may be enforced by the Committee through an action for specific performance or any other available remedy, provided however, that the Committee agrees not to take such action or enforce any such remedy that would be materially adverse to the interests of Bondholders. In addition, the Applicant and the Project Sponsor shall ensure that the Bond documents, as appropriate, expressly provide that the Committee is a third party beneficiary of the terms and conditions set forth in this Resolution.

Section 13. In coordination with the Applicant, the Project Sponsor or its successor-in-interest shall provide certifications of compliance with the terms and conditions set forth in this Resolution annually on March 1st of each year or when reasonably requested by the Committee.

Section 14. This Resolution shall take effect immediately upon its adoption.

CERTIFICATION

I, JEREE GLASSER-HEDRICK, Executive Director of the California Debt Limit Allocation Committee, hereby certify that the above is a full, true, and correct copy of the Resolution adopted at a meeting of the Committee held in the Jesse Unruh Building, 915 Capitol Mall, Room 587, Sacramento, California 95814, on May 18, 2016 at 11:00 a.m. with the following votes recorded:

AYES: Alan Gordon for State Treasurer John Chiang
Eraina Ortega for Governor Edmund G. Brown Jr.
Alan LoFaso for State Controller Betty T. Yee

NOES: None
ABSTENTIONS: None
ABSENCES: None


JEREE GLASSER-HEDRICK, Executive Director

Date: May 18, 2016

RESOLUTION NO. 16-44
(QUALIFIED RESIDENTIAL RENTAL PROJECT)
EXHIBIT A

1. Applicant: City and County of San Francisco
2. Application No.: 16-340
3. Project Sponsor: Mercy Housing Management Group
4. Project Management Co.: 2698 California, LP (Mercy Housing Calwest; JSCO CA Corridor LLC; and Japanese American Religious Federation Housing, Inc.)
5. Project Name: 2698 California Apartments
6. Type of Project: Acquisition and Rehabilitation/Family
7. Location: San Francisco, CA
8. Private Placement Purchaser: Bank of America, N.A./Freddie Mac
9. The Private Placement Purchaser at the time of issuance will be the same as represented in the application.
Applicable
10. Total Number of Units: **39** plus **1** manager unit
11. Total Number of Restricted Rental Units: **39**
12. The term of the income and rental restrictions for the Project will be at least **55** years.
13. The Project will utilize Gross Rents as defined in Section 5170 of the Committee's Regulations.
Applicable
14. Income and Rental Restrictions:
For the entire term of the income and rental restrictions, the Project will have:

At least **39** Qualified Residential units rented or held vacant for rental for persons or families whose income is at 50% or below of the Area Median Income.
15. For substantial renovation projects, a minimum of \$35,000 in hard construction costs will be expended for each Project unit.
Applicable
16. A minimum of \$14,201,483 of public funds will be expended for the Project.
Applicable
17. At a minimum, the financing for the Project shall include a Taxable Tail in the amount of \$0,000. Taxable debt may only be utilized for Project related expenses, not for the cost of issuance, for which the Project Sponsor could otherwise have used tax-exempt financing.
Not Applicable
18. If the Project received points for having large family units, for the entire term of the income and rental restrictions, the Project will have at least three-bedroom or larger units.
Not Applicable
19. For a period of fifteen (15) years after the Project is placed in use, the Project will provide to Project residents high-speed Internet or wireless (WiFi) service in each Project unit.
Not Applicable

RESOLUTION NO. 16-44

Exhibit A

20. For a period of fifteen (15) years after the Project is placed in use, the Project will offer to Project residents an after school programs of an ongoing nature on-site or there must be an after school program available to Project residents within 1/2 mile of the Project or except where Project will provide no cost round trip transportation. The programs shall include, but are not limited to: tutoring, mentoring, homework club, and art and recreation activities to be provided weekdays throughout the school year for at least 10 hours per week.

Not Applicable

21. For a period of fifteen (15) years after the Project is placed in use, the Project will offer to Project residents instructor-led educational, health and wellness, or skill building classes. The classes shall include, but are not limited to: financial literacy, computer training, home-buyer education, GED, resume building, ESL, nutrition, exercise, health information/awareness, art, parenting, on-site food cultivation and preparation and smoking cessation. Classes shall be provided at a minimum of 84 hours per year (drop-in computer labs, monitoring and technical assistance shall not qualify) and be located within 1/2 mile of the Project or except where Project will provide no cost round trip transportation.

Not Applicable

22. For a period of fifteen (15) years after the Project is placed in use, the Project will offer to Project residents 20 hours or more per week of licensed childcare on-site or there must be 20 hours or more per week of licensed childcare available to Project residents within 1/2 mile of the Project or except where Project will provide no cost round trip transportation.

Not Applicable

23. For a period of fifteen (15) years after the Project is placed in use, the Project will offer to Project residents health and wellness services and programs within 1/2 mile of the Project or except where Project will provide no cost round trip transportation. Such services and programs shall provide individualized support for tenants (not group classes) but need to be provided by licensed individuals or organizations. The services shall include, but are not limited to: visiting nurses programs, intergenerational visiting programs, and senior companion programs. Services shall be provided for a minimum of 100 hours per year.

Not Applicable

24. For a period of fifteen (15) years after the Project is placed in use, the Project will offer to Project residents a bona fide service coordinator. The responsibilities must include, but are not limited to: (a) providing tenants with information about available services in the community, (b) assisting tenants to access services through referral and advocacy, and (c) organizing community-building and/or enrichment activities for tenants (such as holiday events, tenant council, etc.)

Not Applicable

25. Minimum sustainable specifications will be incorporated into the project design per Section 5205 of the CDLAC Regulations.

Applicable

Section Waived:

- Energy Efficiency
- Landscaping
- Roofs
- Exterior Doors
- Appliances (ENERGY STAR)
- Window Coverings
- Water Heater
- Floor Coverings
- Insulation (Greengard Emission Criteria)

26. The project commits to becoming certified under any one of the following programs upon completion:

- a. Leadership in Energy & Environmental Design (LEED) **Not Applicable**
- b. Green Communities **Not Applicable**
- c. GreenPoint Rated Multifamily Guidelines **Not Applicable**

27. The Project will exceed the minimum energy efficiency certification requirements for New Construction/ Adaptive Reuse:
- a. LEED for Homes (Silver) **Not Applicable**
 - b. LEED for Homes (Gold) **Not Applicable**
 - c. Green Point Rated (Silver) **Not Applicable**
 - d. Green Point Rated (Gold) **Not Applicable**
28. The Project is a New Construction or Adaptive Reuse Project that commits to Energy Efficiency (including heating, cooling, fan energy, and water heating but not the following end uses: lighting, plug load, appliances, or
- a. 9% **Not Applicable**
 - b. 15% **Not Applicable**
 - c. 24% **Not Applicable**
 - d. 30% **Not Applicable**
29. The Project is a New Construction or Adaptive Reuse Project that commits to Energy Efficiency with renewable energy that provides the following percentages of project tenants' energy loads (Offset of Tenants' Load):
- a. 20% **Not Applicable**
 - b. 30% **Not Applicable**
 - c. 40% **Not Applicable**
30. The project is a Home Energy Rating System (HERS II) Rehabilitation Project that commits to improve energy efficiency above the current modeled energy consumption of the building(s) by:
- a. 15% **Not Applicable**
 - b. 20% **Not Applicable**
 - c. 25% **Not Applicable**
 - d. 30% **Not Applicable**
31. The project is a Rehabilitation Project that commits to developing, and/or managing the Project with the following Photovoltaic generation or solar energy:
- a. Photovoltaic generation that offsets tenants loads **Not Applicable**
 - b. Photovoltaic generation that offsets 50% of common area load **Not Applicable**
 - c. Solar hot water for all tenants who have individual water meters **Not Applicable**
32. The project is a Rehabilitation Project and will implement sustainable building management practices that include: 1) development of a project- specific maintenance manual including replacement specifications and operating information on all energy and green building features; and 2) Undertaking formal building systems commissioning, retro-commissioning or re-commissioning as appropriate (continuous commissioning is not required).
Not Applicable
33. The project is a Rehabilitation Project and will sub-meter all currently centralized hot water systems for all tenants:
Not Applicable
34. The project will commit to irrigate only with reclaimed water, greywater, or rainwater (excepting water used for
Not Applicable
35. The project will commit to having at least one (1) nonsmoking building. If the project only has one (1) building, it will be subject to a policy developed by the Sponsor that prohibits smoking in contiguous designated units. These restrictions will be incorporated into the lease agreements for the appropriate units.
Not Applicable
36. The project will commit to having a parking ratio equivalent to or less than 1 parking stall per single room occupancy or one-bedroom restricted rental unit and 1.5 parking stalls per two-bedroom or larger restricted rental unit.
Not Applicable

The following certification must be submitted by the Project Sponsor (on Project Sponsor letterhead) to the Applicant (Issuer) who will retain the document for a minimum of three years.

CERTIFICATION OF COMPLIANCE

Project Name: 2698 California Apartments

(If project has changed name since the award of allocation please note the original project name as well as the new project name)

Name of Bond Issuer: City and County of San Francisco

CDLAC Application No.: 16-340

Pursuant to Section 13 of Resolution No. 16-44 (the "Resolution"), adopted by the California Debt Limit Allocation Committee (the "Committee") on May 18, 2016, I, _____, an Officer of the Project Sponsor, hereby certify under penalty of perjury that, as of the date of this Certification, the above-mentioned Project is in compliance with all of the terms and conditions set forth in the Resolution.

I further certify that I have read and understand the CDLAC Resolution, which specifies that once the Bonds are issued, the terms and conditions set forth in the Resolution Exhibit A, shall be enforceable by the Committee through an action for specific performance, negative points, withholding future allocation or any other available remedy.

Please check if applicable:

___ The project is currently in the Construction or Rehabilitation phase (i.e. the project is not placed in service).

Signature of Officer

Date

Printed Name of Officer

Title of Officer

Phone Number

STATE OF CALIFORNIA
CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
ACCOUNTING SERVICES
915 Capitol Mall, Room 311
Sacramento, CA 95814
(916) 653-3255

FILING FEE INVOICE

PAYMENT IS DUE WITHIN 30 DAYS OF BOND CLOSING

Date: May 18, 2016

Invoice No.: FY 15-173
Application No.: 16-340
Analyst Initials: SL

To: Faith Kirkpatrick
Project Manager
City and County of San Francisco
One South Van Ness Avenue, 5th Floor
San Francisco, CA 94103

2nd Installment of fee levied pursuant to Section 8869.90 of the California Government Code:

NAME OF ISSUER: City and County of San Francisco

NAME OF PROJECT: 2698 California Apartments

ALLOCATION AWARD DATE: May 18, 2016

ALLOCATION AWARD AMOUNT: \$18,337,000

<u>AMOUNT DUE:</u>	Allocation award x .00035	=	\$	6,417.95
	Less initial application fee	=	-\$	600.00
	Amount Due	=	\$	5,817.95

Issuer or bond trustee to complete the following (please use ink):

BOND ISSUANCE DATE:

PRINCIPAL AMOUNT OF BOND ISSUE: \$

AMOUNT OF BOND ALLOCATION USED: \$

The application fee is based on the amount of allocation used to issue bonds. Please complete the following *only if* the amount of allocation used is less than the amount of allocation awarded, and remit the *revised* amount due.

<u>REVISED AMOUNT DUE:</u>	Amount issued x .00035	=	\$	
	Less initial application fee	=	-\$	600.00
	Revised Amount Due	=	\$	

**PLEASE WRITE APPLICATION NUMBER ON YOUR CHECK, OR
RETURN A COPY OF THIS INVOICE WITH YOUR PAYMENT.**