



**Sacramento
Housing &
Redevelopment
Agency**

**REPORT TO CITY COUNCIL
AND HOUSING AUTHORITY
City of Sacramento**

915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

Public Hearing
July 22, 2008

**Honorable Mayor and Members of the City Council
Chair and Members of the Housing Authority Board**

Title: Approval of Issuance of Tax-Exempt Bonds and Agency Loan for Arena Seniors Apartments

Location/Council District: Southwest corner of the Truxel Road and Sports Parkway intersection, Council District 1

Recommendation: Adopt **1) a City Council Resolution** approving funding from the City Home Investment Partnership (HOME) fund of up to \$1,000,000 for a loan to Arena Seniors Apartments project; conduct a public hearing and upon conclusion adopt, **2) a City Council Resolution** a) indicating that the City Council has conducted a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing related to the proposed acquisition, construction and permanent financing of the project; and b) approving the issuance of tax-exempt obligations; and **3) a Housing Authority Resolution** a) indicating the willingness of the Housing Authority of the City of Sacramento to issue up to \$23,000,000 in tax-exempt mortgage revenue bonds to provide acquisition, construction, and permanent financing for Arena Seniors Apartments; and b) authorizing an application to the California Debt Limit Allocation Committee (CDLAC) for authority to issue the bonds; and c) authorizing the Interim Executive Director or designee to execute all necessary documents associated with the transaction.

Contact: Lisa Bates, Deputy Executive Director, 440-1316; Christine Weichert, Assistant Director, Housing and Community Development, 440-1353

Presenter: Jeree Glasser-Hedrick, Program Manager

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: This report recommends the use of tax exempt mortgage revenue bonds and an Agency loan to provide acquisition, construction and permanent financing for the 240-unit Arena Seniors Apartments complex. Issuance of the bonds requires: 1) adoption of an inducement resolution to indicate the Housing

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Authority's intent to issue the bonds, 2) authorization of an application to CDLAC for authority to issue the bonds, and 3) holding a TEFRA public hearing to approve issuance of the bonds. These actions will not commit the Housing Authority to issue bonds until all other necessary actions and approvals are taken or received in accordance with all applicable laws and to the satisfaction of the City Council. The hearing of this report by the City Council shall serve as the public hearing required under TEFRA.

Proposed sources of financing include: tax-exempt mortgage revenue bonds, fee waivers, Agency loan, four-percent (4%) Low-Income Housing Tax Credits (LIHTC), and a deferred developer fee. The bonds and tax credits will require 20 percent of the units to be affordable to individuals earning 50 percent or less than Area Median Income (AMI) and 80 percent of the units to be affordable to individuals earning 60 percent or less than AMI for a period of 55 years.

When initially proposed, the project did not request an Agency loan. Due to the market downturn, the demand for mortgage revenue bonds has increased dramatically, making it more difficult for developers to receive an allocation. A local government financial contribution is currently necessary to generate enough points to obtain financing. Accordingly, the Agency is providing the project with a \$1 million loan. In exchange, the developer is proposing to surpass the bond and tax credit requirement by restricting 30 percent of the units (72 units) at 50 percent AMI. A breakdown of the project's affordability is in Attachment 1.

Further background on the developer and the property are included as Attachment 1. A location map, site plan, and elevations are included as Attachments 2, 3, and 4. A project summary, including proposed sources and uses of funds, is included as Attachment 5. A project cash flow proforma and a schedule of maximum rents are included as Attachments 6 and 7.

Policy Considerations: The recommended actions are consistent with the Agency's previously approved mortgage revenue bond policy and the multifamily lending policy. Regulatory restrictions on the property are specified in a Regulatory Agreement between the developer and the Housing Authority. Compliance with the Regulatory Agreement will be monitored by the Sacramento Housing and Redevelopment Agency (Agency) on a regular basis.

Arena Seniors is a residential project in the North Natomas community planning area which is the subject of a development agreement executed on or before June 20, 2000, and is therefore exempt from the Mixed Income Housing Ordinance in accordance with Section 17.190.070(F) of the City Code. The City Council approved a Development Agreement for this project on October 10, 1995.

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Apartments

Environmental Considerations:

California Environmental Quality Act (CEQA): The potential environmental impacts of the Arena Corporate Center Master Parcel Map project, which incorporates the area of land where the Arena Seniors Apartments project will be located, were evaluated by the City in August of 2005. The City Council adopted a Mitigated Negative Declaration (MND) for the development. In accordance with the California Environmental Quality Act (CEQA) guidelines Sections 15162 and 15164, an addendum to the previously adopted MND was prepared and is expected to be adopted for the Arena Seniors project by the City Council on July 15, 2008. The City determined that there is no substantial evidence of the project having a significant effect on the environment beyond that which was evaluated in the previous Mitigated Negative Declaration. Therefore, no additional environmental review for the project is required.

Sustainability Considerations: The Arena Seniors project has been reviewed for consistency with the focus areas, goals, policies and targets of the Sustainability Master Plan and the 2030 General Plan. If approved, the contents of this report will advance the following focus areas as follows: the project supports Focus Area number one – Energy Independence, by exceeding Title 24 standards by 10%, which will increase energy efficiency and decrease peak demand. The project also supports Focus Area number six - Urban Design, Land Use, Green Building and Transportation, due to the fact that the project is located adjacent to a bus stop and a proposed light rail stop, which offer residents of the project transportation options other than private vehicles.

Other: The National Environmental Policy Act (NEPA) does not apply.

Committee/Commission Action: At its June 25, 2008 meeting, the Sacramento Housing and Redevelopment Commission considered the initial staff recommendation for bond financing for this item. The votes were as follows:

AYES: Burruss, Dean, Fowler, Gore, Mohr, Morgan, Otto, Shah, Stivers

NOES: None

ABSENT: Chan, Coriano

The item was reheard by the Sacramento Housing and Redevelopment Commission at the meeting on July 16, 2008, for consideration of staff recommendation for additional HOME loan financing and results of that meeting will be reported at the City Council meeting.

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Rationale for Recommendation: The actions recommended in this report enable the Agency to continue to fulfill its mission to provide a range of affordable housing opportunities in the city.

Financial Considerations: Staff recommends the issuance of up to \$23,000,000 in tax-exempt bonds and an Agency loan of \$1,000,000. The developer will be responsible for the CDLAC processing fee and posting of the performance deposit required by CDLAC.

M/WBE Considerations: M/WBE considerations do not apply to the items discussed in this report as no federal funds are being utilized.

Respectfully Submitted by:


LASHELLE DOZIER
Interim Executive Director

Recommendation Approved:


RAY KERRIDGE
City Manager

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Arena Seniors Apartments Project Background Information

Ionic Enterprises, Inc., a local affordable housing development organization formed by the Stamas Corporation, has requested the issuance of tax-exempt mortgage revenue bonds for the construction of the 240-unit Arena Seniors Apartments.

Description of Development: Arena Seniors Apartments is proposed as a newly constructed 240-unit apartment complex located within the Arena Corporate Center. The project will be located on 9.738 acres of land at the intersection of Truxel Road and Sports Parkway. Neighboring the project are a multi-family residential complex, a retail shopping center, the Arco Arena, a future Light Rail Station, and vacant land. The project is not subject to the City's Mixed Income Housing Ordinance because it was under Development Agreement prior to adoption of the Ordinance, and accordingly it does not have an Inclusionary obligation to fulfill.

The project will consist of four, three-story garden style buildings which will be wood-framed and finished with siding and stucco, and tile roofing. The project will include 72 very low-income units, 167 low-income units, and one manager's unit. The units will be a mix of one and two bedrooms ranging in size from 615 square feet to 796 square feet, and they are available to those age 55 or older. The site will include a 3,064 square foot community building which will contain a leasing office, kitchen, restrooms, exercise room, laundry facility, mail center, and maintenance room. The site will be professionally landscaped and will include a swimming pool and two community gardens. There will be 241 parking spaces, 186 of which are covered carports.

Developer: Ionic Enterprises, Inc. (the "Developer"), is a privately-owned development and construction organization formed by the Stamas Corporation, and has been in operation based in Roseville since 1998. The Developer has constructed or rehabilitated nine multi-family projects within the last five years totaling over 1200 units. Recent projects completed by the Developer in the Sacramento region include The Verandas and the Northpointe Park Apartments, both in North Natomas, for which the Agency issued bonds and provided gap loans. Ionic Enterprises, Inc. has a demonstrated knowledge and experience in the delivery of affordable projects.

Property Management: As with other apartment complexes financed with tax-exempt bonds, a professional management company will be hired to manage the apartment complex. FPI Management currently manages all of the properties owned by Ionic Enterprises, Inc. and will also manage the Arena Seniors complex. Agency staff has thoroughly reviewed the management plan, including daily operations, leasing procedures, maintenance, and eviction procedures, and has found that the proposed management company meets all Agency requirements for property management.

Social Service Plan: Ionic Enterprises will partner with the non-profit Lifesteps Corporation, based in Orange, California, to provide on-site resident services. Lifesteps is an experienced social service provider, and is already working in several affordable projects in Sacramento including Northpointe Apartments, Silverado Creek Apartments, and Vintage at Natomas Field Apartments.

Project Financing: The developer will be responsible for payment of the CDLAC processing fee and posting of a one-half percent performance deposit as required by CDLAC.

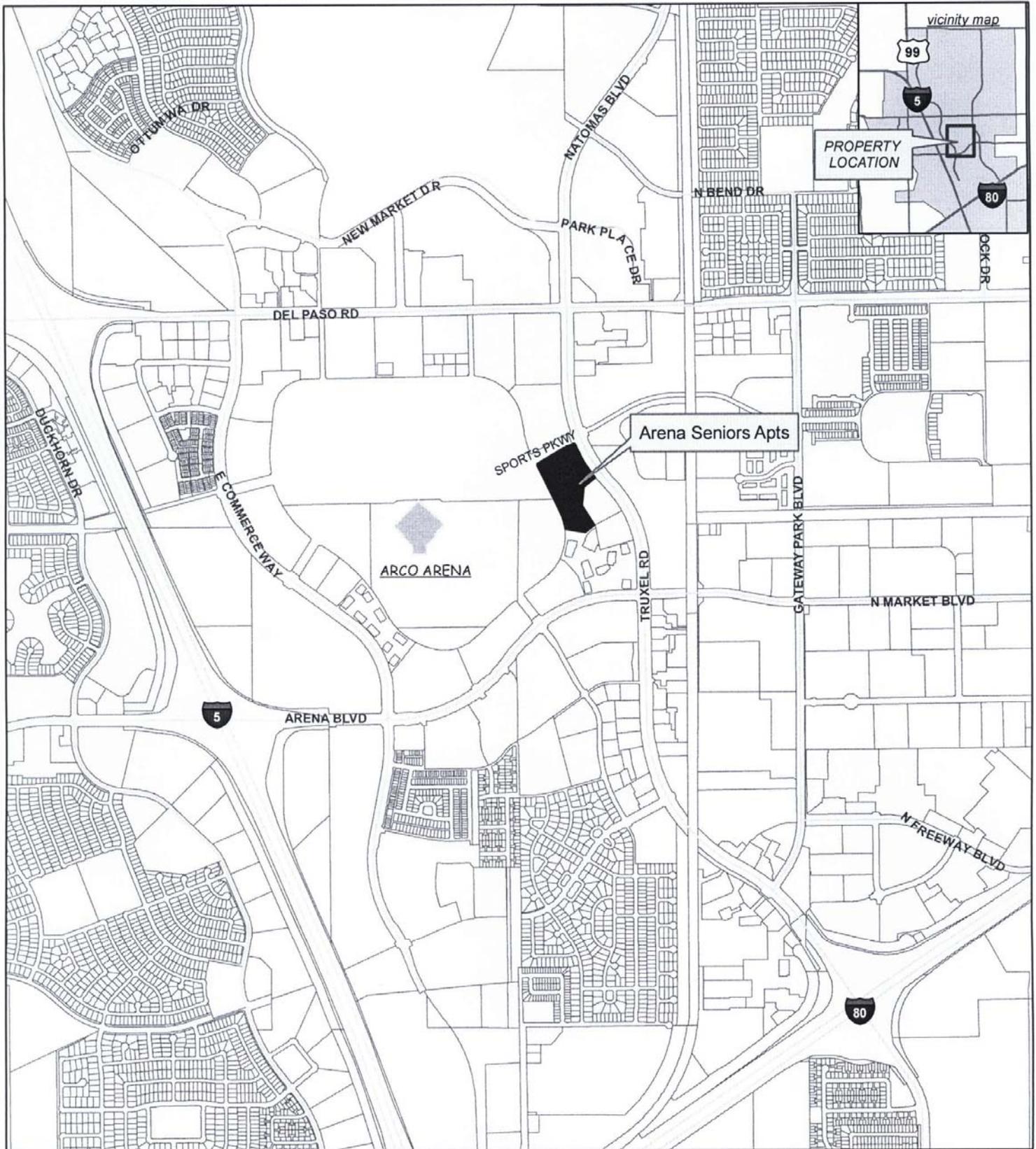
Low-income Set-aside Requirements: The project will be layered with affordability restrictions required by the various public funding sources. These sources and their affordability requirements are summarized in the table below.

The federal set-aside requirements are that either 20 percent of the project's units are rented to households at or below 50 percent of Area Income (AMI), or 40 percent of project units are rented to households at or below 60 percent of AMI. The Agency requires that the deeper affordability terms be required of projects in Sacramento. This project exceeds the minimum set-aside requirements. For this project, at least 30 percent of the units will be occupied by families at 50 percent or less AMI and 70 percent of the units will be occupied by families at 60 percent AMI. The term of these affordability restrictions is 55 years or the life of the bonds, whichever is longer.

Funding Source	% of Units	Affordability Restrictions	Units	Regulatory Requirements
Tax-exempt Bonds, LIHTC, and Agency Loan	30%	Very Low (50% AMI)	72	55 years
Tax-exempt Bonds, LIHTC, and Agency Loan	70%	Low (60% AMI)	167	55 years
Manager Unit	<1%	None	1	None
Total	100%		240	



Arena Seniors Apartments

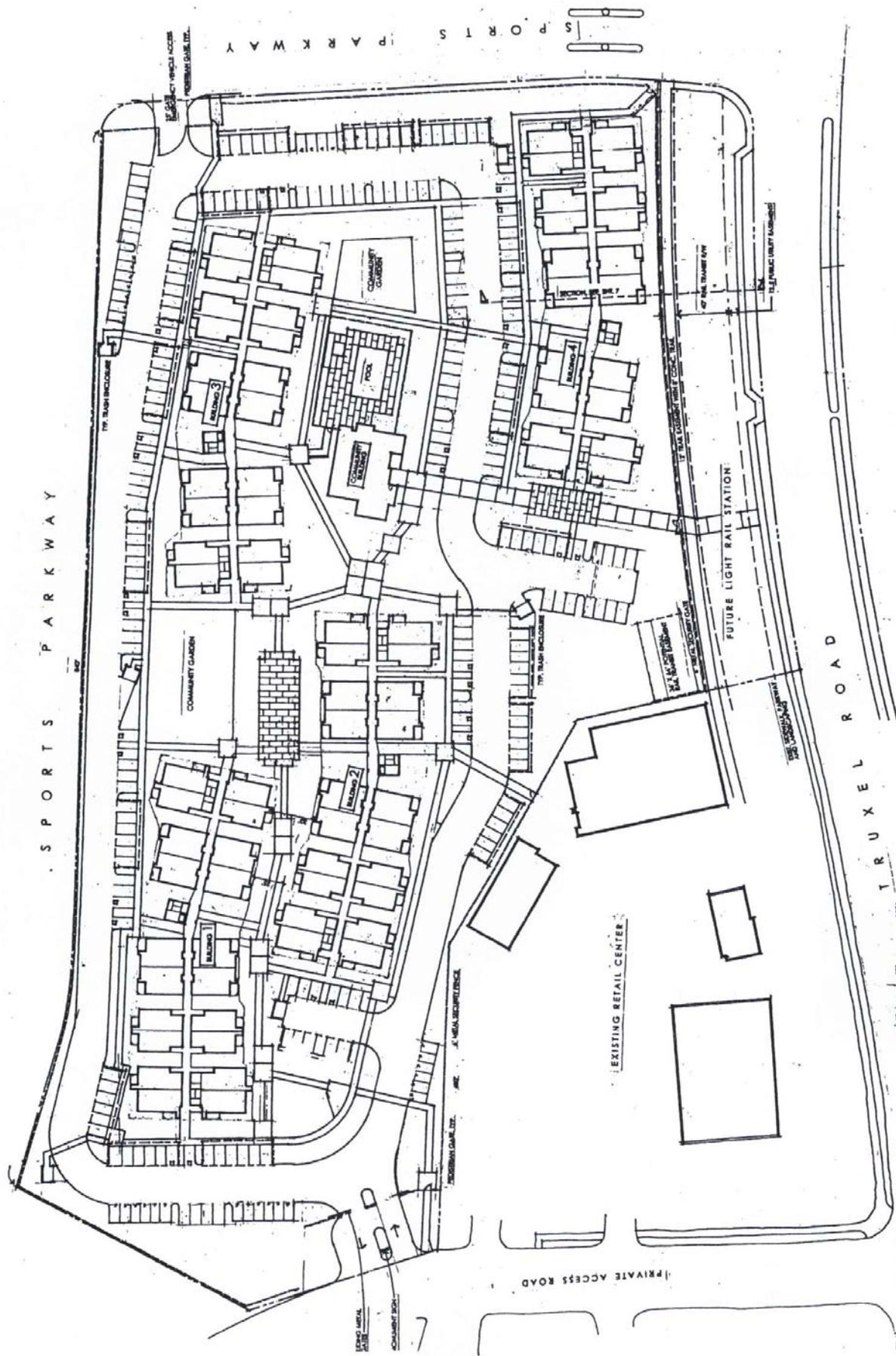


 ARENA SENIORS APTS



0 0.25 0.5 Miles

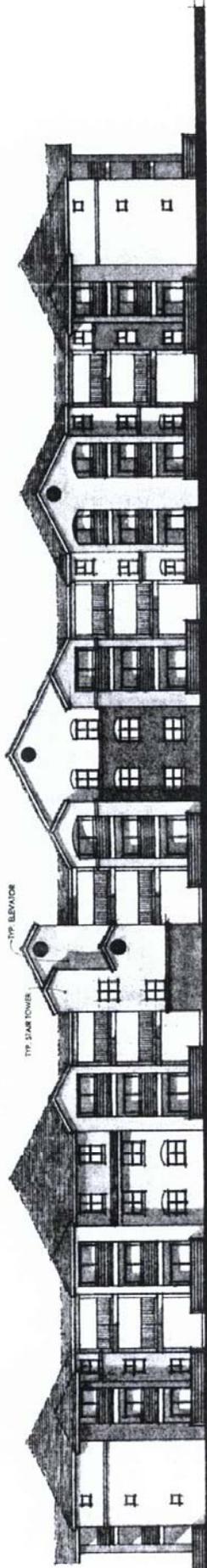
SHRA GIS
June 4, 2008



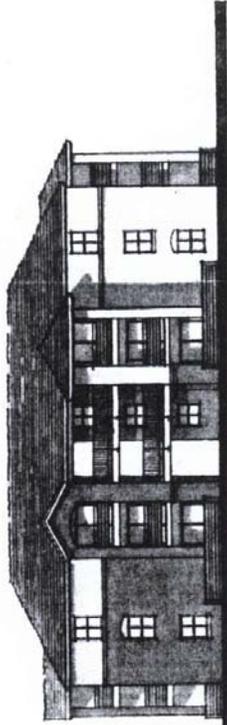
PRELIMINARY ARCHITECTURAL
SITE PLAN

Arena Seniors
 An Affordable Senior Living Community with 240
 apartment units
 North Natomas, Sacramento, CA

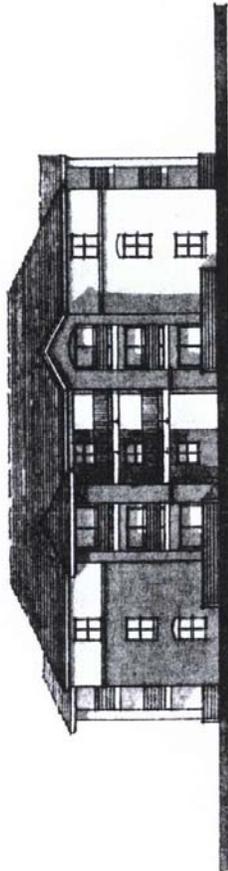




WEST (Bldg. 1)

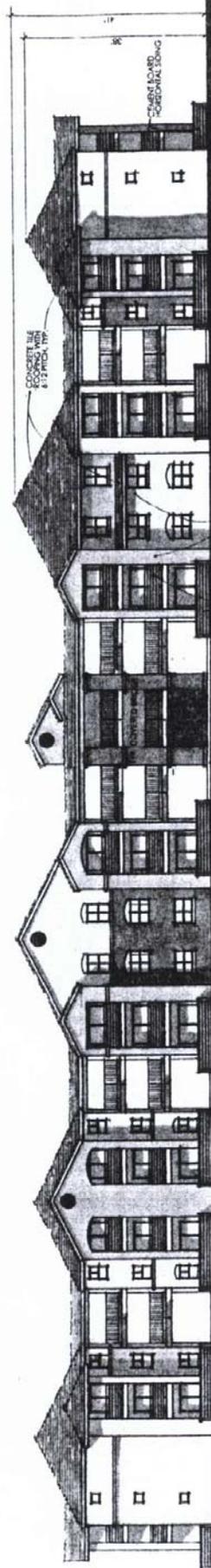


NORTH (Bldg. 1)



SOUTH (Bldg. 1)

Conceptual Building Elevations
Buildings 1 and 4
3/27 - 1/07



EAST (Bldg. 1)

Ionic Enterprises
STAMAS CORPORATION
2007 Jackson Blvd, Suite 175
Escondido, CA 92025

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Arena Seniors
An Affordable Senior-Living Community with 240
Apartment Units
North Natomas, Sacramento, CA

Arena Seniors Apartments Project Summary

<u>Address</u>	Truxel Road @ Sports Parkway, Sacramento, CA		
<u>Number of Units</u>	240		
<u>Year Built</u>	New Construction		
<u>Acreage</u>	9.738		
<u>Affordability</u>	72 units (30%) at or below 50% of Area Median Income (AMI) 167 units (70%) at or below 60% of AMI 1 Manager's Unit		
<u>Unit Mix and Rents</u>	(50% AMI)	(60% AMI)	Manager
1 Bedroom / 1 Bath	41	97	
2 Bedroom / 1 Bath	31	70	1
Total	72	167	1
<u>Square Footage</u>	<i>Per Unit</i>	<i>Total</i>	
1 BR / 1 BA	630	86,940 square feet	
2 BR / 1 BA	796	80,396 square feet	
Manager's 2 BR / 1 BA	796	796 square feet	
Total		168,132 square feet	
<u>Resident Facilities</u>	The complex will include a swimming pool and spa, two community gardens, and a community building. The community building will include a kitchen, restrooms, an exercise room, mailroom, and laundry facilities.		
<u>Permanent Sources</u>	<i>Total</i>	<i>Per Unit</i>	<i>Per Square Foot</i>
Senior MRB	17,726,000 \$	73,858 \$	105.43
Agency HOME Loan	1,000,000 \$	4,167 \$	5.95
Tax Credit Equity	9,407,000 \$	39,196 \$	55.95
Fee Waivers	402,000 \$	1,675 \$	2.39
Deferred Developer Fee Note	750,000 \$	3,125 \$	4.46
TOTAL SOURCES	29,285,000 \$	122,021 \$	174
<u>Permanent Uses</u>			
Land	3,737,000 \$	15,571 \$	22.23
Construction	15,813,000 \$	65,888 \$	94.05
Architecture, Engineering, Survey	225,000 \$	938 \$	1.34
Financing Costs	1,931,000 \$	8,046 \$	11.49
Legal Fees	80,000 \$	333 \$	0.48
Permits	4,800,000 \$	20,000 \$	28.55
Appraisal, Third Party Reports, Marketing, Furnishings, and Fees	199,000 \$	829 \$	1.18
Developer Fee	2,500,000 \$	10,417 \$	14.87
TOTAL USES	29,285,000 \$	122,021 \$	174
<u>Management / Operations</u>			
Proposed Developer:	Stamas Corporation		
Property Management Company:	FPI Management, Inc.		
Operations Budget:	\$688,648	\$2,869	
Replacement Reserves:	\$60,000	\$250	

