



REPORT TO COUNCIL
City of Sacramento
 915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

Public Hearing
October 30, 2012

Honorable Mayor and Members of the City Council

Title: Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing – For Issuance of Tax Exempt Bonds by the California Statewide Communities Development Authority (CSCDA) For Wong Center Apartments

Location/Council District: 331 J Street, Council District 4

Recommendation: Adopt a **City Resolution** indicating the City has conducted a public hearing to approve the issuance and delivery of the obligations solely for the purpose of fulfilling the requirement of Section 147(f) of the Internal Revenue Service Code related to the proposed bond issuance.

Contact: Christine Weichert, Assistant Director, Development Finance, 440-1353;
 Jeree Glasser-Hedrick, Program Manager, Development Finance, 440-1302

Presenters: Jeree Glasser-Hedrick, Program Manager

Department: Sacramento Housing and Redevelopment Agency (Agency)

Description/Analysis

Issue: The Wong Center Property, located at 331 J Street between 3rd and 5th Streets in Downtown Sacramento, is a 12-story mixed-use building. The ground floor and second floors of the building include a medical clinic, rental office, and other office space. The remaining floors house 187 studio and one bedroom units, one of which is dedicated as a manager's unit. The project has communal space, restrooms, a community lounge, kitchen, and computer room on the third floor and laundry facilities and other communal space scattered throughout the remaining residential portions of the building. Standard Property Company (Developer) intends to acquire the property, renovate it, and preserve and extend the U.S. Department of Housing and Urban Development (HUD) Housing Assistance Payment (HAP) contract to ensure the project's long-term viability and affordability. A vicinity map and unit configurations are provided as Attachments 1 and 2.

The project is currently covered by a HUD HAP contract which guarantees the property receives a fixed amount of rental income but ensures the tenants pay only 30 percent of their income. Currently the HAP contract expires in December

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of 2012, and, absent a sale before that date, the owner is considering not renewing the contract. If the owner were to allow the HAP contract to expire, the current deep level of affordability at the project would be lost, and the 187 senior units converted to a market rate which would potentially displace a number of residents at the property.

The purpose of this report is to hold a TEFRA hearing in support of the project. Due to time constraints with the seller, the Developer has requested that CSCDA issue the bonds on behalf of the project. Under these circumstances, the City is still required to hold the TEFRA hearing because the project is located within its jurisdiction and the developer is still obligated to pay the Agency's issuance and monitoring fee.

The proposed project consists of upgrades to site paving, painting, installation of energy efficient air conditioning units and water heaters, new weather stripping, security system upgrades, and individual unit improvements including new flooring, new cabinetry, and new Energy Star appliances.

The project is proposed to be funded with tax-exempt mortgage revenue bonds, four percent Low Income Housing Tax Credit (LIHTC) equity, and a deferred developer fee. No Agency loan is being requested. The bonds and tax credits together will require 20 percent of the units to be affordable to individuals earning 50 percent or less of the Area Median Income (AMI) and 80 percent of the units to be affordable to individuals earning 60 percent AMI. The extended HUD HAP contract will provide rental assistance for 187 of the units for an additional 20 years. The bond and tax credit affordability restrictions would continue in effect for the remainder of their 55-year terms.

Further background on the project is included as Attachment 3. A project summary, including a proposed sources and uses of funds, is included as Attachment 4. A schedule of maximum rents is included as Attachment 5.

Policy Considerations: The project is consistent with the intent to preserve the availability of assisted housing as outlined in Title 5 Section 5.148 of the City Code (The City's Preservation Ordinance) adopted on August 10, 2004.

Regulatory restrictions on the property will be specified in the bond regulatory agreement between CSCDA and the Developer. Compliance with the regulatory agreement will be monitored by CSCDA and reviewed by the Agency on a regular basis for 55 years.

Environmental Considerations:

California Environmental Quality Act (CEQA): The proposed actions, which further the preservation and rehabilitation of an existing housing complex with no expansion in use, are categorically exempt pursuant to CEQA Guidelines Section 15301. Furthermore, the bond financing is exempt pursuant to CEQA Guideline 15310. The project consists of the

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rehabilitation of a multi-family residential complex in which the unit density will not be changed and the estimated cost of rehabilitation is less than 75 percent of the total estimated cost of replacement after rehabilitation. The National Environmental Policy Act (NEPA) does not apply.

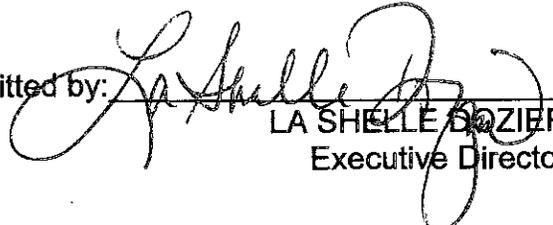
Sustainability Considerations: The Wong Center Project has been reviewed for consistency with the goals, policies and targets of the Sustainability Master Plan and the 2030 General Plan. If approved, the project will advance Goal number one – Energy Independence, specifically by reducing the use of fossil fuels, improving energy efficiency, and providing long term affordable and reliable energy.

Rationale for Recommendation: The actions recommended in this report enable the Agency to meet its goal of preserving and maintaining quality and sustainable living environments for residents of assisted affordable housing developments.

Financial Considerations: The tax-exempt bonds proposed to be utilized are obligations of the CSCDA payable solely by Wong Center Apartments, and will not be a direct obligation of the CSCDA, the City, Agency, or the Housing Authority of the City of Sacramento. The Agency will receive a one-time fee of 0.25 percent of the bond amount, which is payable at bond closing, and an annual payment for monitoring the regulatory restrictions of the bonds, in the amount of 0.15 percent of the bond amount for the 55-year term of the low-income set-aside requirements.

M/WBE Considerations: The activities recommended in this staff report do not involve federal funding; therefore, there are no M/WBE requirements.

Respectfully Submitted by:


LA SHELLE DOZIER
Executive Director

Approved as to form:


Agency Counsel

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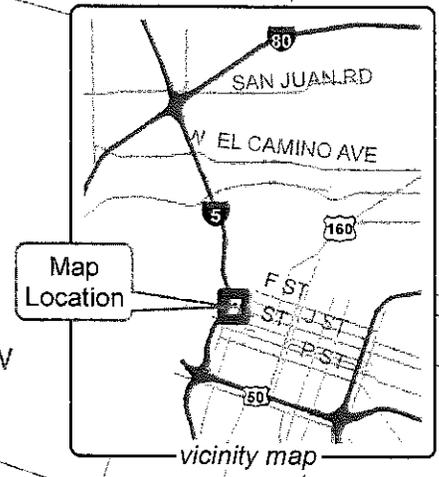
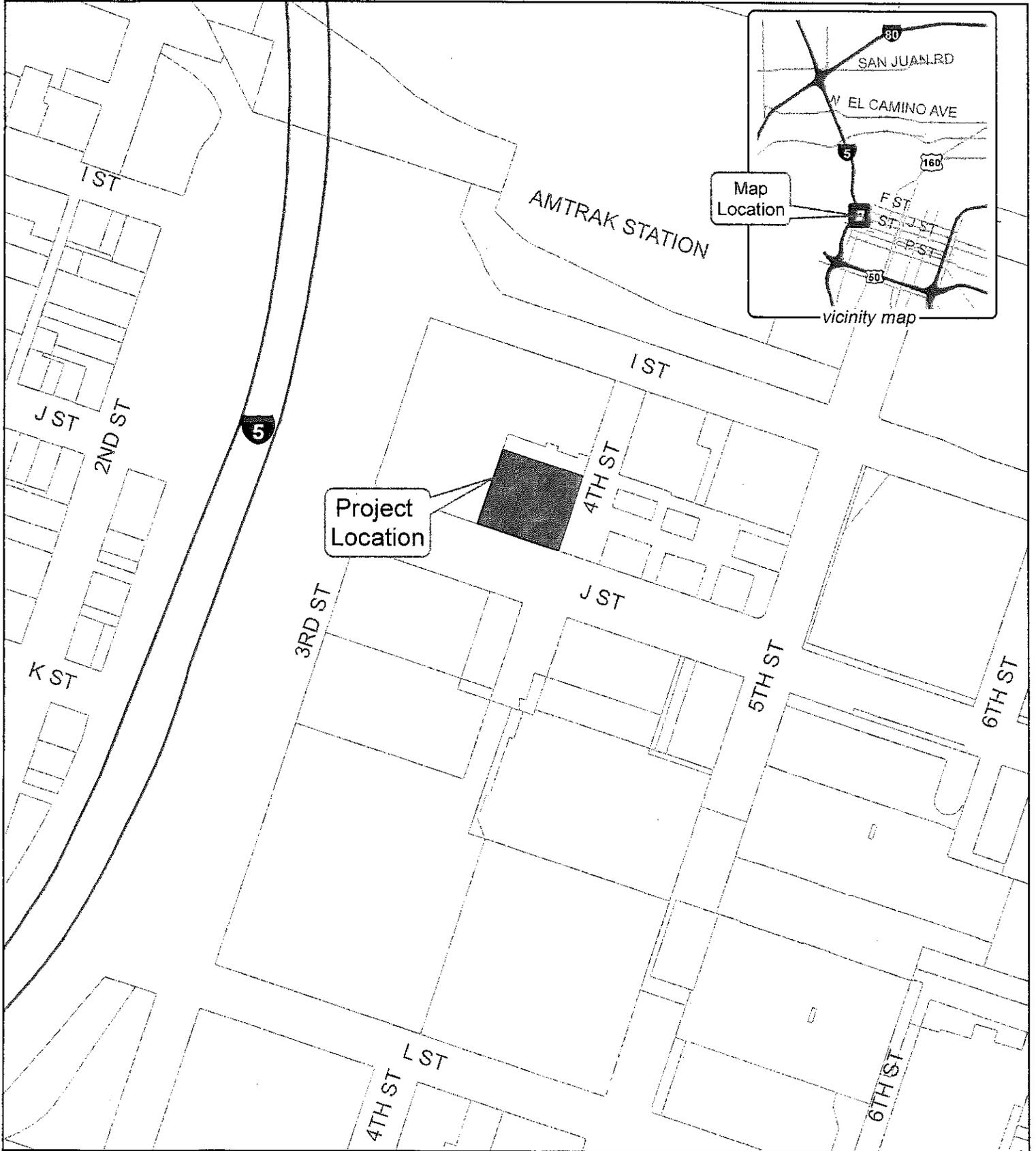
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APPROVED AS TO FORM:

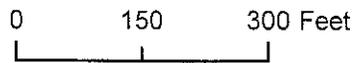

CITY ATTORNEY



The Wong Center 331 J Street

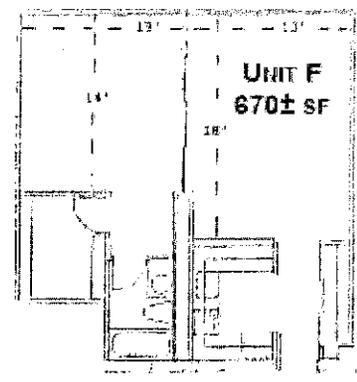
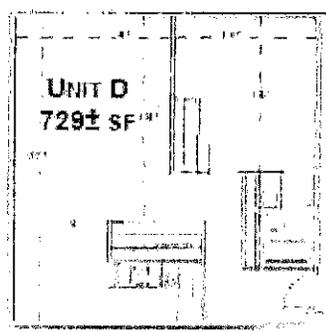
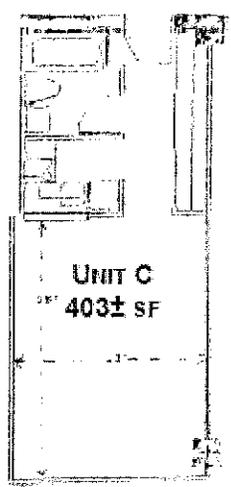
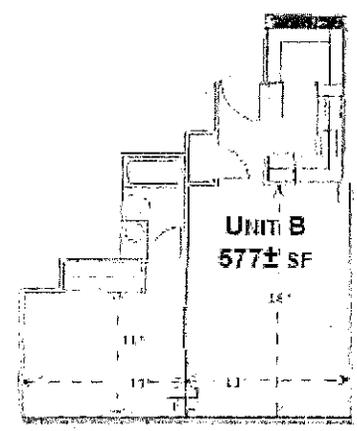
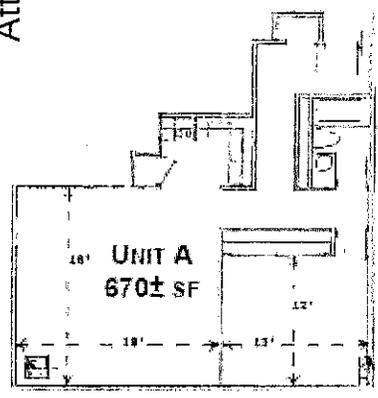


The Wong Center



SHRA GIS
September 25, 2012

Wong Center: Unit Floor Plans



UNITS		
TYPE	NO	AVG SF
Studio	106	403
1 Bedroom (small)	34	577
1 Bedroom (corner)	43	670
1 Bedroom (12 th floor)	4	729
Total Average	187	503



Wong Center Apartments Background Information

Project Description

The Developer, Standard Properties Corporation, proposes to refinance and rehabilitate The Wong Center Apartments, an existing 187-unit mixed use affordable apartment complex located at 331 J Street between 3rd and 5th Street. The Developer has applied to the California Statewide Communities Development Authority (CSCDA) for up to \$23,200,000 in tax-exempt mortgage revenue bonds for the refinance and rehabilitation of the project from and is requesting the City of Sacramento hold the Tax Equity and Financial Responsibility Act (TEFRA) hearing, a responsibility of the jurisdiction in which a project is located. The Wong Center was developed in 1973 with the assistance of Federal Housing Administration (FHA) financing from the US Department and Urban Development (HUD) and was assisted with a project-based Housing Assistance Contract (HAP) through HUD. The project's HAP contract is set to expire in December of 2012 and the owner has indicated the intent to convert the project to market rate. The rehabilitation plan outlined by Standard Properties Company (Developer) will ensure renewal of the expiring HAP contract.

The project consists of 106 studio units, 81, 1 bedroom/1 bath units. The project's regulated units will include 38 very low-income units available to renters at or below 50 percent of Area Median Income (AMI), as well as 149 low-income units affordable to families at or below 60 percent of AMI, and one manager's unit. All units are targeted to seniors age 62 and older and are covered by a HAP contract, making all the units affordable to extremely low income individuals. Currently the proposed HAP rent structure of \$685 for studios and \$856 for 1 bedroom/ 1 bath units is significantly below the comparable adjusted market rate rents of \$961 for studios and \$1287 for 1 bedroom/ 1 bath apartments.

The building has a concrete-framed structure supported by reinforced concrete pile foundations. There are 2 elevators that serve the building. The façade is made of glass and concrete. The exterior has new glazing on the full height floor to ceiling glass windows and sliding doors, a new roof, and balcony railings that were all replaced in 2011. Amenities include restrooms, a community lounge, kitchen, and computer room on the third floor. The communal space on the upper floors will be used as classrooms for the onsite services. Two laundries are located on floors 8 and 11 respectively. The remaining floors have communal space which currently consists of a hair salon, billiards room (which may be turned into a media room and library), fitness center, TV room, and a game room. Units have individual wall air conditioning units and gas water heaters.

The total construction budget is approximately \$5 million. The improvements to the units and the common areas are as follows: kitchens of all the units will receive new appliances, cabinets and countertops. The plumbing and flooring in all the bathrooms and kitchens will be replaced, and the units will be freshly painted with new carpet and an improved air conditioning system. GFCI's will be added in the kitchens and baths as they currently do not exist. The common areas, including the classrooms, media center, library, and business center will be updated with fresh paint, flooring, furniture, fixtures and equipment. Elevators, storage lockers, the fire and water pumps will all be updated. The exterior updates include asphalt and paving, sealing and painting, landscaping and signage. The Wong Center will also make improvements and upgrade to the community space of each floor.

The Wong Center will incorporate water and energy saving features in kitchens and bathrooms, and will meet California Green Building Code Standards, with at least 10% more energy efficiency than the current structures. Some of these measures will include, but are not limited to: replacing old, inefficient PTAC units in every unit with new high efficiency units, replacing all outdated, old indoor and outdoor lighting with energy efficient fixtures, replacement of all water fixtures with low flow fixtures (showerheads, faucets, toilets, etc.), lighting and HVAC control systems, occupancy sensors, variable speed pumps and motors, and other measures.

Project Financing

The project is proposed to be funded with Low-Income Housing Tax Credit (LIHTC) equity from four-percent federal tax credits, tax-exempt mortgage revenue bonds of up to \$23.2 million issued by the CSCDA, and deferred developer fee. No gap financing is being requested from SHRA at this time.

Low-Income Set-Aside Requirements

As a condition of receiving tax credits and the benefits of tax-exempt bond financing, federal law requires the apartments be set-aside for targeted income groups. Rents after the proposed rehabilitation are described below and will be in place for a 55-year period. The following chart summarizes the combined proposed affordability restrictions:

Funding	% of Units	Affordability Restrictions	No. Units	Regulatory Requirements
Tax-Exempt Bonds Tax Credits (LIHTC)	20%	Very Low Income (50% AMI) *	38	55 years
Agency Loans HCD Loan	80%	Low Income (60% AMI)*	149	55 years
Manager's Unit		Unrestricted	1	
Total	100%		187	

* All units are covered by a HAP contract making rents affordable at extremely low AMI income levels.

Maximum rent and income limits for the mortgage revenue bond program can be found in Attachment 5. The project's affordability restrictions will be specified in regulatory agreements with the Developer and CSCDA.

Developer

Standard Properties Corporation is headquartered in Southern California and has been developing properties for the last 24 years. They have developed and rehabilitated 54 properties totaling 10,154 units in the West and Mid-West. The company has developed an expertise at acquiring projects at risk of losing their affordability restrictions and preserving affordability. The Wong Center will be their first project in the Sacramento area.

Property Management

The project will be managed by Apartment Management Consultants, LLC (AMC). The company was founded in 2000 and is an experienced manager of conventional and affordable apartment communities nationwide. The company currently manages a portfolio of approximately 62,000 apartment units in 250 apartment communities, including many affordable and market rate units. In addition to the proposed Wong Center, AMC manages several affordable complexes in Sacramento City and County, including Apartment Lane, Cancun Place, Fairlake Apartments, and Palm Garden Apartments.

Resident Services Plan

Resident Services will be provided to the residents by Pacific Southwest Community Development Corporation (PSCDC), a nonprofit 501(c)(3) corporation. PSCDC proposes to offer a health and wellness program which includes senior companionship and free health screening and checkups. A resident service coordinator will be available on site to assess the needs and wants of the residents, and to coordinate recreational activities and excursions of interest. Ultimately, programs will be tailored to the needs of the residents. The service provider will be required to provide a minimum of 20 hours of services per week.

Wong Center Apartments
Project Summary

Address	331 J Street between		
Number of Units	187		
Year Built	1973		
Acreage	.468 Acres		
Affordability	38 units (20%) at or below 50% of Area Median Income (AMI) 148 units (80%) at or below 60% of AMI 1 Manager's Unit		
Unit Mix and Rents	(50% AMI)	(60% AMI)	Manager (60% AMI)
Studio / 1 Bath	21	85	
1 Bedroom / 1 Bath Type 1	7	27	
1 Bedroom / 1 Bath Type 2	9	33	
2 Bedroom / 1 Bath Type 3	1	3	
Unrestricted			1
Square Footage	<i>Per Unit</i>	<i>Total</i>	
Studio / 1 Bath	403	42,718 s.f.	
1 Bedroom / 1 Bath Type 1	577	19,618 s.f.	
1 Bedroom / 1 Bath Type 2	670	28,140 s.f.	
2 Bedroom / 1 Bath Type 3	729	2,916 s.f.	
Unrestricted		400 s.f.	
Total		93,792	
Resident Facilities	Community room with kitchen, computer room, laundry rooms, hair salon, billiards		
Permanent Sources	<i>Total</i>	<i>Per Unit</i>	<i>Per Square Foot</i>
Mortgage Revenue Bond	\$ 23,200,000	\$ 124,064	\$ 247.36
Tax Credit Equity	\$ 8,373,050	\$ 44,776	\$ 89.27
Deferred Developer Fee	\$ 343,543	\$ 1,837	\$ 3.66
TOTAL SOURCES	\$ 31,916,593	\$ 170,677	\$ 340.29
Permanent Uses			
Acquisition Costs	\$ 20,320,000	\$ 108,663	\$ 216.65
Construction Costs	\$ 4,508,435	\$ 24,109	\$ 48.07
Contingency	\$ 570,903	\$ 3,053	\$ 6.09
Financing Costs	\$ 2,410,877	\$ 12,892	\$ 25.70
Reserves	\$ 1,166,077	\$ 6,236	\$ 12.43
Architecture and Engineering	\$ 190,301	\$ 1,018	\$ 2.03
Developer Fee	\$ 2,500,000	\$ 13,369	\$ 26.65
Other	\$ 250,000	\$ 1,337	\$ 2.67
TOTAL USES	\$ 31,916,593	\$ 170,677	\$ 340.29
Management / Operations	Proposed Developer: Standard Property Corporation		
Property Management Company:	Apartment Management Consultants (AMC)		
Operations Budget:	\$878,158	\$4,696	
Resident Services:	\$21,835	\$117	
Replacement Reserves:	\$46,750	\$250	



MAXIMUM RENT AND INCOME LEVELS 2012

Maximum Income Limits:

Family Size	Very Low Income (VLI) 50% AMI	Low Income (LI) 60% AMI
1 person	\$26,650	\$31,980
2 person	\$30,450	\$36,540
3 person	\$34,250	\$41,100
4 person	\$38,050	\$45,660

Maximum Rent Limits:

Mortgage Revenue Bond (MRB), Low Income Housing Tax Credit (LIHTC)

Unit Size	VLI Units (50% AMI)		LI Units (60% AMI)	
	Gross Rent	Restriction Source	Gross Rent	Restriction Source
Studio	\$666.00	LIHTC	\$799.00	LIHTC
1 Bedroom	\$713.00	LIHTC	\$856.00	LIHTC



RESOLUTION NO. 2012 -

Adopted by the Sacramento City Council

On date of

WONG CENTER APARTMENTS – 331 J STREET: APPROVING THE ISSUANCE OF TAX-EXEMPT OBLIGATIONS AND DIRECTING CERTAIN ACTIONS

BACKGROUND

- A. The California Statewide Communities Development Authority (the “Issuer”) intends to issue tax-exempt obligations in a principal amount not to exceed \$34,000,000 (the “Obligations”) for the purpose, among other things, of making a loan to a California limited liability company or limited partnership to be formed by Standard Property Company (“Developer”), the proceeds of which shall be used by the Developer to finance the acquisition and rehabilitation of a 187-unit multifamily housing facility located at 331 J Street, Sacramento, California (the “Project”).
- B. The Issuer is authorized by Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California in accordance with Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California to issue and sell revenue obligations for the purpose of financing the acquisition, rehabilitation and development of multifamily rental housing facilities to be occupied in part by low and/or very low income tenants.
- C. In order for the Obligations to be considered “qualified exempt facility bonds” under Section 142(a) of the Internal Revenue Code of 1986, as amended (the “Code”), Section 147(f) of the Code requires that the “applicable elected representatives” of the area in which the Project is to be located hold a public hearing on and approve the issuance of the Obligations.
- D. This City Council is the elected legislative body of the City.
- E. A notice of public hearing in a newspaper of general circulation in the City has been published, to the effect that a public hearing would be held by this City Council regarding the issuance of the Obligations by the Issuer and the nature and location of the Project.
- F. This City Council held said public hearing on the published date, at which time an opportunity was provided to present arguments both for and against the issuance of such Bonds and the nature and location of the Project.

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- G. It is in the public interest and for the public benefit that the City approve the issuance and delivery of the Obligations for the purpose of financing the acquisition and rehabilitation of the Project.
- H. The City shall not have any liability for the repayment of the Obligations or any responsibility for the Project.
- I. The proposed action is exempt from environmental review under CEQA Guidelines Sections 15301(no expansion to an existing use) and 15310 (exempting loans and bond financing funding mechanisms for existing structures).

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

- Section 1. The City hereby finds and determines that the foregoing recitals are true and correct.
- Section 2. Solely for the purpose of fulfilling the requirement of Section 147(f) of the Code, the City hereby approves the issuance and delivery of the Obligations.
- Section 3. This resolution shall take effect upon its adoption.