



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

**Public Hearing
March 12, 2013**

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

Title: 700 Block of K Street – TEFRA Hearing and Approval of Tax Exempt Bonds

Location/Council District: 700-730 K Street, Council District 4

Recommendation: Conduct a public hearing and upon conclusion adopt 1) a **Housing Authority Resolution** a) indicating the intent of the Housing Authority of the City of Sacramento (Authority) to issue up to \$20,000,000 in tax-exempt mortgage revenue bonds to provide construction financing for the 700 Block of K Street Project (Project), b) declaring the intent to be reimbursed for certain costs from bond proceeds, c) authorizing application to the California Debt Limit Allocation Committee (CDLAC) for authority to issue the bonds, and d) making related findings; 2) a **Housing Authority Resolution** a) confirming the prior commitment of \$10.1 million of low-moderate tax-exempt bond funds for the Project by the Redevelopment Agency of the City of Sacramento, and b) making related findings; and 3) a **City Council Resolution** a) indicating the City Council has conducted a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing related to the proposed project, and b) approving the issuance of a tax exempt obligation.

Contact: Christine Weichert, Assistant Director, Development Finance, 440-1353

Presenters: Joel Riphagen, Housing Finance Analyst, Development Finance

Department: Sacramento Housing and Redevelopment Agency (SHRA)

Description/Analysis

Issue: On July 13, 2010, the Redevelopment Agency of the City of Sacramento (Redevelopment Agency) selected 700 Block Investors, LP, a partnership between D&S Development and CFY Development (Developer), to redevelop the south side of the 700 Block of K Street (see Attachment 1, Location Map). On June 21, 2011, the Redevelopment Agency entered into 1) a Disposition and

700 Block of K Street – TEFRA Hearing and Approval of Tax Exempt Bonds

Development Agreement (DDA) with the Developer to transfer the land and 2) a commitment letter with the Downtown Sacramento Revitalization Corporation (DSRC) to commit tax increment funds, including \$10.1 million of low-moderate housing tax exempt bond funds and \$3.6 million in non-housing tax exempt bond funds and tax increment funds, to the Project. These agreements remain in place and are enforceable obligations.

Following the dissolution of redevelopment agencies by the State of California in 2012, the Housing Authority of the City of Sacramento (Housing Authority) assumed responsibility for the housing assets formerly administered by the Redevelopment Agency, while the City of Sacramento assumed the role of the Successor Agency, which administers all of the non-housing assets of the Redevelopment Agency. Concurrent with the split of responsibility between the Housing Authority and the Successor Agency, the financing for the Project has been split into a residential portion and a commercial portion. The Housing Authority will finance the residential portion of the Project, while the Successor Agency will finance the commercial portion of the Project and transfer the property pursuant to the terms of the DDA. The residential portion of the Project will now be financed with mortgage revenue bonds, which require the approval of the Housing Authority and the TEFRA hearing by the City Council, and are the purpose of this report. Since there are no changes to the allocation of the commercial redevelopment funds to the project, no additional governing board approval is necessary for the commercial portion.

The residential portion of the Project is proposed to be funded with Low-Income Housing Tax Credits (LIHTCs), tax-exempt mortgage revenue bonds issued by the Housing Authority and insured by the US Department of Housing and Urban Development (HUD), the \$10.1 million in low-moderate tax exempt bond funds originally committed by the Redevelopment Agency, and a loan and deferred developer fee from the Developer.

The scope of the Project remains the same as when it was previously approved by the City Council and the Redevelopment Agency. The development plan proposes to transform a blighted half block of K Street into a mixed-use development providing both commercial and residential uses. The Developer intends to restore the historic storefronts along K Street, rehabilitate the commercial spaces, and bring in new retail tenants (see Attachment 2, Proposed Project). Demolition of the southern 60 feet (back portion) of some of the structures will provide for the construction of a new 6-story residential building over 2 levels of parking. Parking spaces will be available to residential tenants. A total of 63,000 sq. ft of commercial space will be provided.

To address the goal of additional housing units on K Street, the Project includes 137 residential units: 15 over the commercial uses along K Street and 122 units in the new structure along the alley. The Project is designed to attract a variety of tenants. Units will range in size from studios to two-bedrooms. 72 of the units will be restricted at 60% of area median income (AMI), 11 of the units restricted at 50% of AMI, and the remaining 54 will be unrestricted market rate units. This rent structure is a slight change from the previously approved unit allocation.

700 Block of K Street – TEFRA Hearing and Approval of Tax Exempt Bonds

Originally, the Project included 11 units restricted at 80% of AMI, whereas the current Project will lower the rents on these units to 50% of AMI, increasing the affordability of the Project without increasing the \$10.1 million gap funds provided.

The Project has progressed through final design and permit approval, and the Developer can begin construction as soon as financing is complete. Construction will span an 18-24 month period and should be complete by the end of 2015.

Staff recommends Housing Authority action to approve an issuance of up to \$20,000,000 in tax-exempt mortgage revenue bonds for the Developer and to confirm enforceability of the prior commitment of low-moderate tax increment funds for the residential portion of the project, as well as City Council action to hold a TEFRA hearing and approve the issuance of a tax-exempt obligation. Further background on the Project, Developer and the property is included as Attachment 3. A project summary, including proposed sources and uses of funds, is included as Attachment 4. A project cash flow pro-forma and a schedule of maximum rents are included as Attachments 5 and 6.

Policy Considerations: The Project is consistent with long-standing City Council, Redevelopment Agency, and community direction. It is in keeping with the 2030 General Plan, the Central City Community Plan, and the JKL Community Workshop objectives for the 7th and K Street site. Among the Project's benefits are the elimination of blight through the reuse of deteriorated buildings, developing a range of housing options within the downtown area, serving as a catalyst project to attract additional development to the area and K Street, and attracting private sector funding by providing public sector funding.

The recommended actions are consistent with the approved Multifamily Lending and Mortgage Revenue Bond Policies. Regulatory restrictions on the property will be specified in bond and loan regulatory agreements with the Housing Authority. Compliance with the regulatory agreements will be monitored on a regular basis for 55 years.

Economic Impacts: This residential new construction and rehabilitation project is expected to create 320.7 total jobs (180.1 direct jobs and 140.7 jobs through indirect and induced activities) and create \$44,462,218 in total economic output (\$27,324,613 of direct output and another \$17,137,606 of output through indirect and induced activities).

The indicated economic impacts are estimates calculated using a calculation tool developed by the Center for Strategic Economic Research (CSER). CSER utilized the IMPLAN input-output model (2009 coefficients) to quantify the economic impacts of a hypothetical \$1 million of spending in various construction categories within the City of Sacramento in an average one-year period. Actual impacts could differ significantly from the estimates and neither the City of Sacramento nor CSER shall be held responsible for consequences resulting from such differences.

Environmental Considerations:

California Environmental Quality Act (CEQA): The primary recommendation is to approve mortgage revenue bond financing to an already reviewed and approved project. No changes or intervening events have occurred since the initial review that would require new or further environmental review. The recommendation to confirm and acknowledge the prior commitment of funding is not a “project” for purposes of the California Environmental Quality Act (CEQA) because this action is an organizational or administrative activity that will not result in direct or indirect changes in the physical environment (CEQA Guidelines, Sect. 15378(b)(5)).

Sustainability Considerations: The Project is considered to be an infill development, which provides multiple benefits including providing mixed income housing options close to jobs, reducing the need to build new development on the urban fringe, increasing the viability of and dependency on alternative modes of transportation, preserving natural resources, and providing for efficient use of land, services and infrastructure. Sustainable measures that have been incorporated through conditions of approval for the Project include: 1) The Project shall include construction of at least one green roof to the satisfaction of the Planning Director, 2) High HTC-rated and energy efficient windows shall be installed in the residential and commercial areas and storefronts. For the four structures that are listed as historic per CEQA, the original windows will be repaired or replaced in accordance with the Secretary of the Interior’s Rehabilitation Standards, and 3) All toilets shall be low-flow.

Commission Action: At its meeting on February 20, 2013, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this project. The votes were as follows:

AYES: Chan, Griffin, Johnson, LeDuc, Morgan, Morton, Stivers

NOES: none

ABSENT: Alcalay, Gore, Rosa, Shah

Downtown Sacramento Revitalization Corporation Action (DSRC): At its meeting on February 14, 2013, the DSRC affirmed its previous commitment to receive the low-moderate tax exempt bond funds described in this report and provide them to the Developer for the Project. The DSRC is a nonprofit public benefit corporation formed under Section 501(c)3 of the Internal Revenue Code. Its board consists of seven members, including two City Councilmembers, a representative of the Downtown Sacramento Partnership, a representative of the Capital Area Development Authority, a representative of the River District, and two at-large members appointed by the other board members. The specific purpose of DSRC is to “lessen the burdens of government by assisting the City of

700 Block of K Street – TEFRA Hearing and Approval of Tax Exempt Bonds

Sacramento and the Redevelopment Agency of the City of Sacramento to revitalize areas within the City”, particularly the Central City.

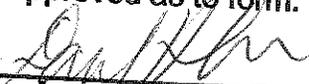
Rationale for Recommendation: The actions recommended in this report enable the Sacramento Housing and Redevelopment Agency (SHRA) to continue to fulfill its mission to provide a range of affordable housing opportunities in the City. In addition, they further the longstanding City goal of revitalizing K Street. Project benefits will include removal of blight, preservation of the historic character of existing buildings, and creation of a unique mixed-use transit-oriented development with 137 new residential units in the heart of downtown. The concurrent commercial rehabilitation project is expected to create 500 permanent jobs, generate approximately \$1.6 million in annual sales tax, and bring an additional 5,000 to 6,000 patrons to K Street each week.

Financial Considerations: The proposed bond issuance will not be an obligation of the City, the Housing Authority, or SHRA. The bonds will be an obligation solely of the project and the owner who will bear all costs associated with issuing the bonds. The bonds will also be insured through a Federal Housing Administration program under HUD. The Housing Authority will receive a one-time issuance fee of 0.25 percent of the bond issuance amount, which is payable at bond closing. The Housing Authority will also collect an annual fee of 0.15 percent of the total bond issuance amount. The law firm of Orrick, Herrington & Sutcliffe LLP, is acting as bond counsel for the Housing Authority.

The previously committed \$10.1 million of low-moderate tax increment funds cannot be repaid to the Housing Authority due to the tax-exempt nature of the funds. Consistent with the previous Redevelopment Agency approval, the funds will be granted to the DSRC, which will ensure that the funds are used for the construction of the Project.

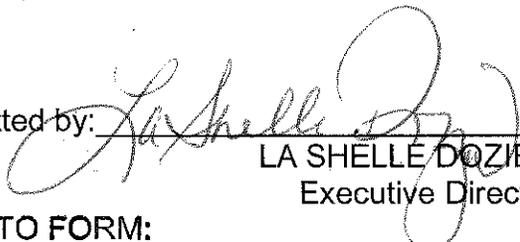
M/WBE and Section 3 Considerations: The activities recommended in this staff report do not involve federal funding, therefore, there are no M/WBE requirements.

Approved as to form:



Agency Counsel

Respectfully Submitted by:

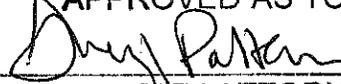


LA SHELLE DOZIER
Executive Director

Table of Contents

| | | |
|--------------------|--|--------|
| Report | | pg. 1 |
| Attachments | | |
| 1 | Location Map | pg. 6 |
| 2 | Proposed Project | pg. 7 |
| 3 | Background | pg. 8 |
| 4 | Project Financial Summary | pg. 11 |
| 5 | Maximum Rents and Incomes | pg. 12 |
| 6 | Cash Flow Proforma | pg. 13 |
| 7 | Resolution – Housing Authority – Bond Reimbursement | pg. 14 |
| 8 | Resolution – Housing Authority – Reaffirm Commitment | pg. 16 |
| 9 | Resolution – City Council – TEFRA Hearing | pg. 18 |

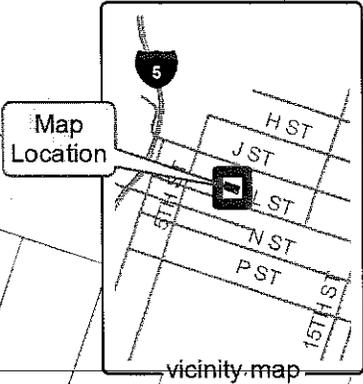
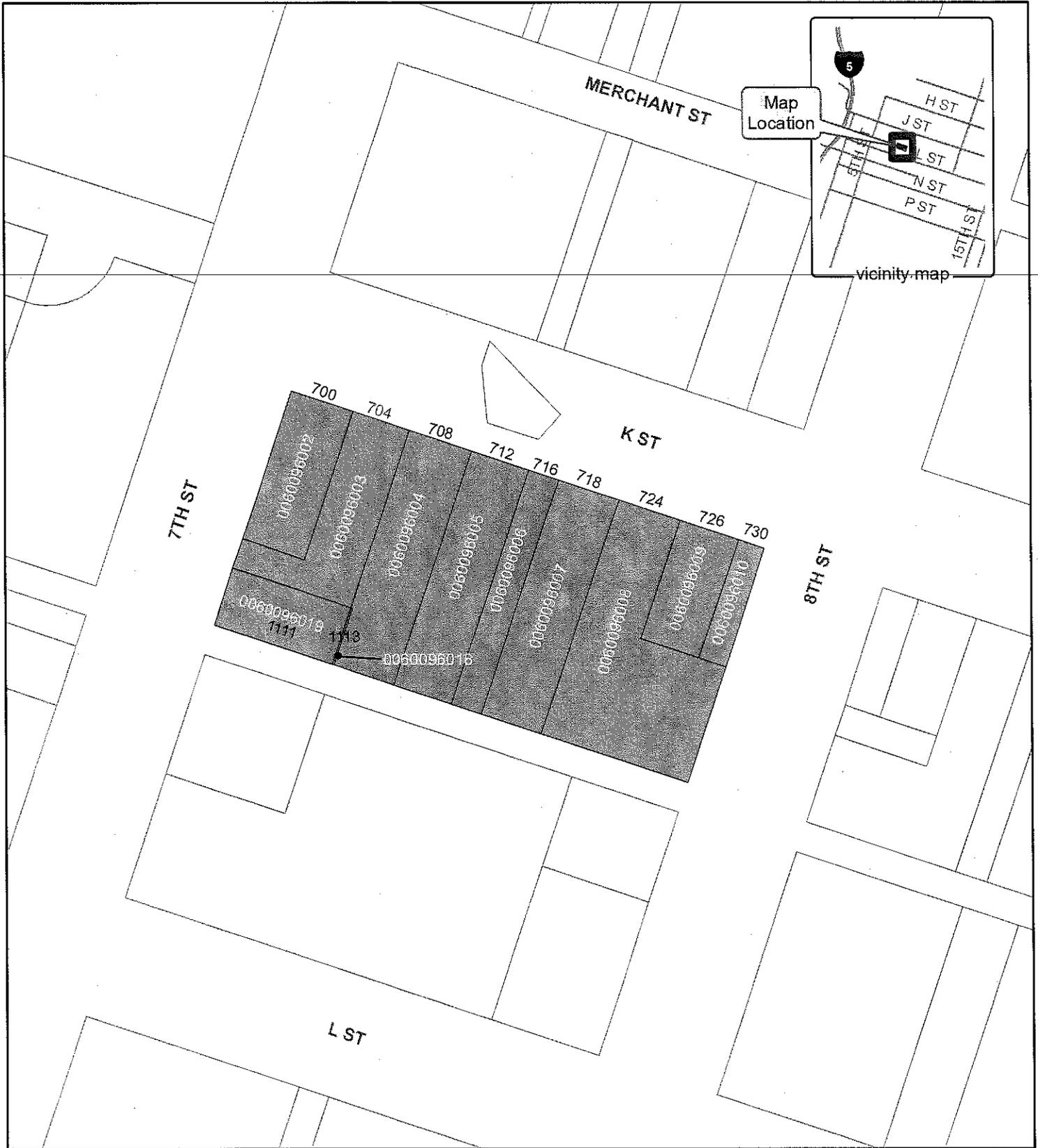
APPROVED AS TO FORM:



CITY ATTORNEY



700 Block of K Street



700 Block of K Street



SHRA GIS
May 31, 2011



NORTH ELEVATION AT ROOF GARDEN



NORTH / K STREET ELEVATION

| | | | | |
|------------------------|---|------------------|---------|------|
| 700 BLOCK INVESTORS LP | 700 BLOCK 700 K STREET SACRAMENTO, CA | NORTH ELEVATIONS | kuchman | A3.2 |
|------------------------|---|------------------|---------|------|



WEST / 7TH STREET ELEVATION

EAST / 8TH STREET ELEVATION



SOUTH / ALLEY ELEVATION

| | | | | |
|------------------------|---|-------------------------------|---------|------|
| 700 BLOCK INVESTORS LP | 700 BLOCK 700 K STREET SACRAMENTO, CA | SOUTH, EAST & WEST ELEVATIONS | kuchman | A3.1 |
|------------------------|---|-------------------------------|---------|------|



700 Block of K Street Background Information

The Developer, a joint venture of CFY Development, Inc. and D&S Development Inc., proposes to create a mixed-use development on the south side of K Street between 7th and 8th Streets, by restoring the historic storefronts along K Street, rehabilitating the commercial spaces, and constructing a new 6-story residential building over two levels of parking. A total of 63,000 sq. ft of commercial space will be provided. Parking spaces will be available to residential tenants.

The present staff report addresses only the actions needed by the Housing Authority and the City Council to approve the bond financing for the residential portion of the project. Therefore, the following background information focuses on the residential portion of the project.

Residential Project Description: To address the goal for additional housing units on K Street, the project includes 137 residential units: 15 over the commercial uses along K Street and 122 units in the new structure along the alley. The project is designed to attract a variety of tenants. Units will range in size from studios to two-bedrooms. 72 of the units will be restricted at 60% of area median income (AMI), with 11 units at 50% of AMI and the rest at market rate. Resident amenities will include a community room, fitness room, and laundry room, as well as a private rooftop garden and onsite parking.

Developer: The Developer, 700 Block LLC, is led by CFY Development, Inc. and D&S Development Inc. CFY has more than 20 years experience in affordable housing and D&S Development, Inc. has been developing and providing management services to commercial and office properties in the Sacramento area for many years. The Sacramento Housing and Redevelopment Agency ("Agency") has previously participated in financing four affordable housing projects initiated by CFY Development in the greater Sacramento area. The 184 unit Cordova Meadows project involved the rehabilitation of 32 boarded and vacant buildings for affordable family housing in Rancho Cordova, two projects were renovated in the Auburn Boulevard Redevelopment Area, County Square Senior Apartments (78 units) and Ladan Senior Apartments (147 units), and most recently, CFY completed Globe Mills, a 134 unit historic renovation in Alkali Flat. In addition, the Agency has been engaged with D&S Development Inc. on the renovation of the Maydestone.

Managing General Partner: The managing General Partner for the Project will be Community Revitalization & Development Corporation (CRDC). CRDC has served as the managing general partner for multifamily projects totaling over

4,000 units throughout California, including Northpointe Park Apartments in Sacramento and Waterman Square Apartments in Elk Grove.

Property Management: Property management will be provided by CFY Development Inc. The property manager has submitted a property management plan to the Agency, and the Agency will approve the final version of this plan prior to disbursement of project financing.

Resident Services: The Developer will be required to provide a minimum of 15 hours per week of resident services, including services such as computer training, employment workshops, and conflict management. The Resident Services Provider will be determined by the Developer and approved by the Agency before execution of the funding agreements. The selected resident service provider will have experience in the provision of Resident Services in affordable housing projects.

Security: Developer will be required to provide a security camera system and lighting adequate to properly illuminate all common spaces. In addition, Developer has included funding for security patrol.

Project Financing: The residential portion of the project is proposed to be funded with Low-Income Housing Tax Credit (LIHTC) equity from 4-percent Federal tax credits, tax-exempt mortgage revenue bonds of up to \$20 million issued by the Housing Authority and insured by the Federal Housing Administration under HUD, the \$10.1 million in low-moderate tax exempt bond funds originally committed by the Redevelopment Agency, and a loan and deferred developer fee from the Developer.

Consistent with prior City Council and Redevelopment Agency approval, the \$10.1 million of low-moderate funds will be granted to the Downtown Sacramento Revitalization Corporation (DSRC), which will in turn provide the funds to the Project. Due to their tax-exempt nature, the Housing Authority can have no expectation of repayment for these funds.

Redevelopment – Housing Successor Agency: As of February 1, 2012, all Redevelopment Agencies were dissolved and their assets, properties, contracts, leases, and ongoing functions were transferred to successor agencies. The City designated the Housing Authority of the City of Sacramento as the local authority to retain the housing assets and functions previously performed by the Redevelopment Agency of the City of Sacramento. While the Redevelopment Agency, prior to its dissolution, properly committed the redevelopment funds to be used in this project, affirmation of the continued commitment is being requested to ensure clarity of intent.

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. Further restrictions on incomes and rents are imposed as a result of the \$10.1 million from the Housing Authority. Regulatory restrictions on the units will last for 55 years. The following chart summarizes the combined proposed affordability restrictions:

| Funding | % of Units | Affordability Restrictions | No. Units | Regulatory Requirements |
|---|-------------------|-----------------------------------|------------------|--------------------------------|
| Tax-Exempt Bonds Tax Credits (LIHTC) | 8% | Very Low Income (50% AMI) | 11 | 55 years |
| Agency Loan | 52% | Low Income (60% AMI) | 72 | 55 years |
| Unrestricted | 40% | Unrestricted | 54 | None. |
| Total | 100% | | 137 | |

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.



**700 Block of K Street
Residential Project Summary**

| | | | |
|--|---|------------------------|-------------------------------|
| <u>Address</u> | 700, 704, 708, 712, 716, 718, 724, 726, and 730 K Street, 1111 and 1113 7th Street, and 1114 8th Street | | |
| <u>Number of Units</u> | 137 | | |
| <u>Year Built</u> | Various, partially new construction | | |
| <u>Acreage</u> | 1.175 acres | | |
| <u>Affordability</u> | 11 units (8%) at or below 50% of Area Median Income (AMI) 72 units (53%) at or below 60% of Area Median Income (AMI) 54 units (39%) unregulated market rate | | |
| <u>Unit Mix and Rents</u> | 50% AMI | 60% AMI | Market Rate |
| Studio | 4 | 21 | 17 |
| 1 BR / 1 BA | 6 | 47 | 30 |
| 2 BR / 1 BA | 1 | 4 | 7 |
| Total | 11 | 72 | 54 |
| <u>Square Footage</u> | <i>Per Unit</i> | <i>Total</i> | |
| Studio | 567 | 23,797 | square feet |
| 1 BR / 1 BA | 672 | 55,759 | square feet |
| 2 BR / 1 BA | 1,015 | 12,176 | square feet |
| Total Residential | | 91,733 | square feet |
| Total Parking | | 28,834 | square feet |
| Total Other (common spaces, etc.) | | 51,239 | square feet |
| TOTAL SQUARE FOOTAGE | | 171,806 | square feet |
| <u>Resident Facilities</u> | The project will include onsite parking, a community area with kitchen, computer center, and activity area; a laundry room; a fitness room; and a private rooftop garden. | | |
| <u>Permanent Sources</u> | <i>Total</i> | <i>Per Unit</i> | <i>Per Square Foot</i> |
| Mortgage Revenue Bond | \$ 15,038,000 | \$ 109,766 | \$ 87.53 |
| Tax Credit Equity | \$ 7,895,558 | \$ 57,632 | \$ 45.96 |
| SHRA Tax Increment Financing | \$ 10,100,000 | \$ 73,723 | \$ 58.79 |
| Deferred Developer Fee | \$ 1,725,351 | \$ 12,594 | \$ 10.04 |
| Developer Loan | \$ 1,500,000 | \$ 10,949 | \$ 8.73 |
| TOTAL SOURCES | \$ 36,258,909 | \$ 264,664 | \$ 211.05 |
| <u>Permanent Uses</u> | | | |
| Acquisition Costs | \$ 1 | \$ 0 | \$ 0.00 |
| Construction Costs | \$ 26,962,867 | \$ 196,809 | \$ 156.94 |
| Contingency | \$ 1,478,501 | \$ 10,792 | \$ 8.61 |
| Financing Costs | \$ 982,500 | \$ 7,172 | \$ 5.72 |
| Reserves | \$ 856,372 | \$ 6,251 | \$ 4.98 |
| Legal Fees | \$ 344,635 | \$ 2,516 | \$ 2.01 |
| Permits | \$ 2,200,000 | \$ 16,058 | \$ 12.81 |
| Architecture and Engineering | \$ 756,542 | \$ 5,522 | \$ 4.40 |
| Developer Fee | \$ 2,500,000 | \$ 18,248 | \$ 14.55 |
| Other | \$ 177,491 | \$ 1,296 | \$ 1.03 |
| TOTAL USES | \$ 36,258,909 | \$ 264,664 | \$ 211.05 |
| <u>Management / Operations</u> | | | |
| Proposed Developer: | CFY Development, Inc. and D&S Development, Inc. | | |
| Property Management Company: | CFY Development, Inc. | | |
| Operations Budget: | \$524,039 | \$3,825 | |
| Resident Services: | \$20,000 | \$146 | |
| Replacement Reserves: | \$68,500 | \$500 | |



MAXIMUM RENT AND INCOME LEVELS 2013
(Rents @ 50% and 60% of AMI where applicable)

| Maximum Income Limits: | | |
|---|------------------------------|------------------------------|
| Family Size | Max Income <i>50% AMI</i> | Max Income <i>60% AMI</i> |
| 1 person | \$25,350 | \$30,420 |
| 2 person | \$28,950 | \$34,740 |
| 3 person | \$32,550 | \$39,060 |
| Maximum Rent Limits: | | |
| LIHTC, Mortgage Revenue Bonds, Tax Increment Funds | | |
| Unit Size | Gross Rent <i>50% AMI</i> | Gross Rent <i>60% AMI</i> |
| Studio | \$633 | \$760 |
| 1 Bedroom | \$678 | \$814 |
| 2 Bedroom | \$813 | \$976 |

700 Block of K Street

| Unit Type | Number | Square Feet | Total Sq Feet | Gross Rent | Utility Allowance | Net Rent | Rent per Sq Foot | Total Mo. Rent | Annual Rent |
|--------------------------------------|--------|-------------|---------------|-------------|-------------------|----------|------------------|----------------|--------------|
| Studio @ 50% AMI | 4 | 497 | 1,988 | \$ 633.00 | \$ 41 | \$ 592 | \$ 1.19 | \$ 2,368 | \$ 28,416 |
| Studio @ 60% AMI | 21 | 519 | 10,909 | \$ 760.00 | \$ 41 | \$ 719 | \$ 1.38 | \$ 15,099 | \$ 181,188 |
| Studio @ Market | 17 | 617 | 10,481 | \$ 1,108.82 | \$ - | \$ 1,109 | \$ 1.80 | \$ 18,850 | \$ 226,200 |
| 1 BR @ 50% AMI | 6 | 618 | 3,708 | \$ 678.00 | \$ 46 | \$ 632 | \$ 1.02 | \$ 3,792 | \$ 45,504 |
| 1 BR @ 60% AMI | 47 | 618 | 29,046 | \$ 814.00 | \$ 46 | \$ 768 | \$ 1.24 | \$ 36,086 | \$ 433,152 |
| 1 BR @ Market | 30 | 767 | 23,006 | \$ 1,340.00 | \$ - | \$ 1,340 | \$ 1.75 | \$ 40,200 | \$ 482,400 |
| 2 BR @ 50% AMI | 1 | 994 | 994 | \$ 813.00 | \$ 63 | \$ 750 | \$ 0.75 | \$ 750 | \$ 9,000 |
| 2 BR @ 60% AMI | 4 | 994 | 3,976 | \$ 976.00 | \$ 63 | \$ 913 | \$ 0.92 | \$ 3,652 | \$ 43,824 |
| 2 BR @ Market | 7 | 1030 | 7,207 | \$ 1,814.29 | \$ - | \$ 1,814 | \$ 1.76 | \$ 12,700 | \$ 152,400 |
| Manager Unit | | | 0 | | | | | \$ - | \$ - |
| Total / Average for Restricted Units | 137 | 667 | 91,315 | | | | \$ 1.46 | \$ 133,507 | \$ 1,602,084 |

| <u>Residential Income</u> | rate | annual increase | per unit | 2016 Year 1 | 2017 Year 2 | 2018 Year 3 | 2019 Year 4 | 2020 Year 5 | 2025 Year 10 | 2030 Year 15 | 2035 Year 20 | 2040 Year 25 | 2045 Year 30 | 2050 Year 35 | 2055 Year 40 |
|--|-------|-----------------|----------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Potential Gross Rental Income | | 2.50% | 11,694 | 1,602,084 | 1,642,136 | 1,683,190 | 1,725,269 | 1,768,401 | 2,000,783 | 2,263,703 | 2,561,172 | 2,897,731 | 3,278,517 | 3,709,341 | 4,196,778 |
| Other Tenant Income (laundry, vending) | | 2.50% | 134 | 18,347 | 18,806 | 19,276 | 19,758 | 20,252 | 22,913 | 25,924 | 29,330 | 33,185 | 37,545 | 42,479 | 48,061 |
| Parking | | 2.50% | | 81,000 | 83,025 | 85,101 | 87,228 | 89,409 | 101,158 | 114,451 | 129,491 | 146,507 | 165,759 | 187,541 | 212,186 |
| Less Vacancy | 7.00% | | | (112,146) | (114,950) | (117,823) | (120,769) | (123,788) | (140,055) | (158,459) | (179,282) | (202,841) | (229,496) | (259,654) | (293,774) |
| Effective Gross Income | | | | \$1,589,285 | \$1,629,017 | \$1,669,743 | \$1,711,486 | \$1,754,273 | \$1,984,799 | \$2,245,618 | \$2,540,711 | \$2,874,581 | \$3,252,325 | \$3,679,707 | \$4,163,251 |

| <u>Residential Expenses</u> | | | | 2016 | 2017 | 2018 | 2019 | 2020 | 2025 | 2030 | 2035 | 2040 | 2045 | 2050 | 2055 |
|-----------------------------------|-------|-------|------------------|------------------|------------------|------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------|
| Operating Expenses | 3.50% | 3,316 | 454,300 | 470,201 | 486,658 | 503,691 | 521,320 | 619,164 | 735,373 | 873,392 | 1,037,316 | 1,232,006 | 1,463,237 | 1,737,866 | |
| Property Management Fee | 3.50% | 509 | 69,739 | 72,180 | 74,706 | 77,321 | 80,027 | 95,047 | 112,886 | 134,073 | 159,237 | 189,124 | 224,620 | 266,778 | |
| Resident Services | 3.50% | 146 | 20,000 | 20,700 | 21,425 | 22,174 | 22,950 | 27,258 | 32,374 | 38,450 | 45,667 | 54,238 | 64,417 | 76,507 | |
| Taxes/Assessments/Mello Roos | 2.00% | 800 | 109,599 | 111,791 | 114,027 | 116,307 | 118,633 | 130,981 | 144,614 | 159,865 | 176,283 | 194,631 | 214,888 | 237,254 | |
| Replacement Reserves | 0.00% | 500 | 68,500 | 68,500 | 68,500 | 68,500 | 68,500 | 68,500 | 68,500 | 68,500 | 68,500 | 68,500 | 68,500 | 68,500 | |
| Total Expenses | | 5,271 | \$722,138 | \$743,371 | \$765,315 | \$787,993 | \$811,431 | \$940,950 | \$1,093,747 | \$1,274,081 | \$1,487,003 | \$1,738,498 | \$2,035,662 | \$2,386,905 | |
| Total Net Operating Income | | | \$867,147 | \$885,646 | \$904,428 | \$923,493 | \$942,843 | \$1,043,849 | \$1,151,872 | \$1,266,630 | \$1,387,578 | \$1,513,827 | \$1,644,045 | \$1,776,345 | |

| <u>Debt Service</u> | amount | rate | term | | | | | | | | | | | | |
|-----------------------------|--------------|--------|------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|
| Senior Loan | \$15,038,000 | 3.729% | 40 | 724,118 | 724,118 | 724,118 | 724,118 | 724,118 | 724,118 | 724,118 | 724,118 | 724,118 | 724,118 | 724,118 | 724,118 |
| SHRA Administration Fee | \$18,129,455 | 0.150% | | 27,194 | 27,194 | 27,194 | 27,194 | 27,194 | 27,194 | 27,194 | 27,194 | 27,194 | 27,194 | 27,194 | 27,194 |
| Total Debt Service | | | | 751,312 | 751,312 | 751,312 | 751,312 | 751,312 | 751,312 | 751,312 | 751,312 | 751,312 | 751,312 | 751,312 | 751,312 |
| DCR on Senior Loan | | | | 1.15 | 1.18 | 1.20 | 1.23 | 1.25 | 1.39 | 1.53 | 1.69 | 1.85 | 2.01 | 2.19 | 2.36 |
| Net Cash after Debt Service | | | | \$115,835 | \$134,334 | \$153,115 | \$172,181 | \$191,530 | \$292,537 | \$400,559 | \$515,318 | \$636,266 | \$762,514 | \$892,733 | \$1,025,033 |

| <u>Priority Distributions</u> | | | | | | | | | | | | | | | |
|-------------------------------|--|--|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Managing General Partner Fee | | | | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Investor Asset Management Fee | | | | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Supplemental Annual Admin Fee | | | | \$ 20,000 | \$ 20,000 | \$ 20,000 | \$ 20,000 | \$ 20,000 | \$ 20,000 | \$ 20,000 | \$ 20,000 | \$ 20,000 | \$ 20,000 | \$ 20,000 | \$ 20,000 |

| <u>Deferred Developer Fee</u> | | | | | | | | | | | | | | | |
|-------------------------------|-------------|-------|--|-------------|-------------|-------------|-------------|-------------|---------|-----|--|--|--|--|--|
| Principal Balance | \$1,725,351 | 0.00% | | 1,725,351 | 1,639,516 | 1,535,183 | 1,412,067 | 1,269,887 | 263,057 | 0 | | | | | |
| Payment | | | | 85,835 | 104,334 | 123,115 | 142,181 | 161,530 | 262,537 | 0 | | | | | |
| Balance | | | | \$1,639,516 | \$1,535,183 | \$1,412,067 | \$1,269,887 | \$1,108,356 | \$521 | \$0 | | | | | |

| <u>Developer Loan</u> | | | | | | | | | | | | | | | |
|-----------------------|-------------|-------|--|-------------|-------------|-------------|-------------|-------------|-------------|------------|------------|------------|------------|------------|------------|
| Starting Balance | \$1,500,000 | 0.00% | | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 237,096 | 0 | 0 | 0 | 0 | 0 |
| Interest for Period | | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Accumulated Interest | | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Residual Payment | | | | 0 | 0 | 0 | 0 | 0 | 0 | 237,096 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | | | | \$1,500,000 | \$1,500,000 | \$1,500,000 | \$1,500,000 | \$1,500,000 | \$1,500,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net Cash to Developer | | | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 133,463 | \$ 485,318 | \$ 606,266 | \$ 732,514 | \$ 862,733 | \$ 995,033 |

Cash Flow Proforma
Attachment 6



RESOLUTION NO. 2013 -

Adopted by the Housing Authority of the City of Sacramento

on date of

**700 BLOCK OF K STREET PROJECT: RESOLUTION DECLARING INTENTION TO
REIMBURSE EXPENDITURES FROM THE PROCEEDS OF
TAX-EXEMPT OBLIGATIONS AND DIRECTING CERTAIN ACTIONS**

BACKGROUND

- A. The Housing Authority of the City of Sacramento (the “Issuer”) intends to issue tax-exempt obligations in a principal amount not to exceed \$20,000,000 (the “Obligations”) for the purpose, among other things, of making a loan to 700 Block LLC, a California limited liability corporation, or such other California limited liability company or limited partnership formed or to be formed by 700 Block LLC (the “Developer”), the proceeds of which shall be used by the Developer to finance the acquisition and construction/rehabilitation of a 137-unit multifamily housing facility located at 700-730 K Street, Sacramento, California and to be commonly known as the 700 Block of K Street (the “Project”).
- B. United States Income Tax Regulations section 1.103-18 provides generally that proceeds of tax-exempt debt are not deemed to be expended when such proceeds are used for reimbursement of expenditures made prior to the date of issuance of such debt unless certain procedures are followed, among which is a requirement that (with certain exceptions), prior to the payment of any such expenditure, the issuer must declare an intention to reimburse such expenditure.
- C. It is in the public interest and for the public benefit that the Housing Authority declare its official intent to reimburse the expenditures referenced herein.

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

- Section 1. The Housing Authority intends to issue the Obligations for the purpose of paying the costs of financing the acquisition and construction/rehabilitation of the Project.
- Section 2. The Housing Authority hereby declares that it reasonably expects that a portion of the proceeds of the Obligations will be used for reimbursement of expenditures for the acquisition and construction/rehabilitation of the Project that are paid before the date of initial execution and delivery of the Obligations.
- Section 3. The maximum amount of proceeds of the Obligations to be used for reimbursement of expenditures for the acquisition and construction and/or

rehabilitation of the Project that are paid before the date of initial execution and delivery of the Obligations is not to exceed \$20,000,000.

- Section 4. The foregoing declaration is consistent with the budgetary and financial circumstances of the Housing Authority in that there are no funds (other than proceeds of the Obligations) that are reasonably expected to be (i) reserved, (ii) allocated or (iii) otherwise set aside, on a long-term basis, by or on behalf of the Authority, or any public entity controlled by the Authority, for the expenditures for the acquisition and construction/rehabilitation of the Project that are expected to be reimbursed from the proceeds of the Obligations.
-
- Section 5. The Developer shall be responsible for the payment of all present and future costs in connection with the issuance of the Obligations, including, but not limited to, any fees and expenses incurred by the Housing Authority in anticipation of the issuance of the Obligations, the cost of printing any official statement, rating agency costs, bond counsel fees and expenses, underwriting discount and costs, trustee fees and expense, and the costs of printing the Obligations. The payment of the principal, redemption premium, if any, and purchase price of and interest on the Obligations shall be solely the responsibility of the Developer. The Obligations shall not constitute a debt or obligation of the Housing Authority.
- Section 6. The appropriate officers or staff of the Housing Authority are hereby authorized, for and in the name of and on behalf of the Housing Authority, to make an application to the California Debt Limit Allocation Committee for an allocation of private activity bonds for the financing of the Project.
- Section 7. The adoption of this Resolution shall not obligate (i) the Housing Authority to provide financing to the Developer for the acquisition and construction/rehabilitation of the Project or to issue the Obligations for purposes of such financing; or (ii) the Housing Authority, of or any department of the Housing Authority or the City of Sacramento to approve any application or request for, or take any other action in connection with, any environmental, General Plan, zoning or any other permit or other action necessary for the acquisition, construction/rehabilitation or operation of the Project.
- Section 8. This resolution shall take effect immediately upon its adoption.



RESOLUTION NO. 2013 -

Adopted by the Housing Authority of the City of Sacramento

on date of

CONFIRMATION OF PRIOR COMMITMENT OF LOW-MODERATE INCOME TAX INCREMENT FUNDS FROM THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO TO THE DOWNTOWN SACRAMENTO REVITALIZATION CORPORATION FOR THE 700 BLOCK OF K STREET

BACKGROUND

- A. On June 21, 2011, the Redevelopment Agency of the City of Sacramento (“Redevelopment Agency” or RDA) approved by Resolution No. 2011-031, a Disposition and Development Agreement and among other items authorized and entered into a binding commitment to grant of \$10.1 million of Downtown low-moderate tax-exempt bond funds to the Downtown Sacramento Revitalization Corporation to finance the rehabilitation and new construction of a 137-unit multifamily housing facility located at 700-730 K Street, Sacramento, California and commonly known as the 700 Block of K Street Project (the “Project”).
- B. In 2011 the California Legislature enacted AB 1X 26, which law, coupled with a subsequent decision of the State Supreme Court, resulted in the dissolution of redevelopment agencies as of February 1, 2012, and the transfer of all assets, properties, contracts and leases of the former redevelopment agencies to successor agencies, and requiring successor agencies to carry out the winding down of the redevelopment agencies.
- C. The City of Sacramento previously established the Redevelopment Agency in order to carry out plans for the improvement, rehabilitation, and redevelopment of blighted areas within the City.
- D. On January 31, 2012, the City designated the Housing Authority of the City of Sacramento (PHA) as the local authority to retain the housing assets and functions previously performed by the RDA.
- E. On January 31, 2012 the PHA affirmatively elected pursuant to Health and Safety Code Section 34176 that it accepted the housing assets and functions of the former Redevelopment Agency and authorized the Executive Director to take actions necessary to comply with the designation in a manner that is consistent with federal and state law.
- F. This transfer, including the \$10.1 million to be granted to this Project, was ratified by the Oversight Board for the Redevelopment Successor Agency by its Resolution No. 2012-006 adopted on May 21, 2012.
- G. Project financing, in addition to that which was committed by the former Redevelopment Agency of the City of Sacramento and which is acknowledged herein by the Housing Authority of the City of Sacramento is being obtained and includes a HUD 221(d)(4)

guarantee and a conventional construction loan. Applications will be submitted to the California Tax Allocation Committee (TCAC) and the California Debt Allocation Committee (CDLAC).

- H. This Resolution acknowledging the prior commitment of funding is not a “project” for purposes of the California Environmental Quality Act (CEQA) because this Resolution is an organizational or administrative activity that will not result in direct or indirect changes in the physical environment (CEQA Guidelines, Sect. 15378(b)(5)).

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

Section 1. ~~The above statements are found to be true and correct.~~

Section 2. The Housing Authority of the City of Sacramento affirms that the previous commitment of \$10.1 million of Downtown low-moderate tax-exempt bond funds by the Redevelopment Agency of the City of Sacramento to the Downtown Sacramento Revitalization Corporation for the purpose of funding the residential portion of the 700 Block of K Street Project is valid and remains in full force and effect.

Section 3. Consistent with previous resolutions, the Disposition and Development Agreement and the binding commitment of the funds for affordable housing units for the 700 Block Project, funding documents will be brought back to this governing board for its approval at a later date.



RESOLUTION NO. 2013 -

Adopted by the Sacramento City Council

On date of

700 BLOCK OF K STREET PROJECT: APPROVING THE ISSUANCE OF TAX-EXEMPT OBLIGATIONS AND DIRECTING CERTAIN ACTIONS

BACKGROUND

- A. The Housing Authority of the City of Sacramento (the “Issuer”) intends to issue tax-exempt obligations in an principal amount not to exceed \$20,000,000 (the “Obligations”) for the purpose, among other things, of making a loan to 700 Block LLC, a California limited liability corporation, or such other California limited liability company or limited partnership formed or to be formed by 700 Block LLC (“Developer”), the proceeds of which shall be used by the Developer to finance the acquisition and construction/rehabilitation of a 137-unit multifamily housing facility located at 700-730 K Street, Sacramento, California (the “Project”).
- B. The Issuer is authorized by Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California to issue and sell revenue bonds for the purpose of financing the acquisition, construction/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.
- 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 construction/rehabilitation of the Project.

- H. The City shall not have any liability for the repayment of the Obligations or any responsibility for the Project;

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL
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.