



**Sacramento  
Housing &  
Redevelopment  
Agency**

**REPORT TO HOUSING AUTHORITY**

**City of Sacramento**

915 I Street, Sacramento, CA 95814-2671

[www.CityofSacramento.org](http://www.CityofSacramento.org)

**CONSENT**

July 18, 2006

Honorable Chair and Members of the Board:

**Subject:** APPROVAL OF BOND DOCUMENTS FOR THE HURLEY CREEK SENIOR APARTMENTS

**Location/Council District:** Snowy Egret Boulevard and El Centro Road, District 1

**Recommendation:** Staff recommends adoption of the attached **Housing Authority resolution** which:

- approves documents authorizing a bond issuance of \$14,765,000 for acquisition, construction, and permanent financing of the Hurley Creek Senior Apartments; and
- authorizes the Chairperson, Vice Chairperson, or Executive Director of the Housing Authority to execute all documents necessary to issue bonds.

**Contact:**

Jim Hare, Assistant Director of Housing Policy and Development, 440-1313

Kelly Korver, Housing Finance Analyst, 440-1399 x1264

**Presenters:** Kelly Korver, Housing Finance Analyst

**Department:** Sacramento Housing and Redevelopment Agency

**Summary:** This report recommends approval of the bond documents and final authorization to issue \$14,765,000 in tax-exempt mortgage revenue bonds for the Hurley Creek Senior Apartments. The Tax Equity and Fiscal Responsibility (TEFRA) hearing was held on March 14, 2006, the same day the TEFRA resolution and Inducement were approved. Following these approvals an application was submitted to the California Debt Limit Allocation Committee (CDLAC) for the bond allocation, which was awarded on May 17, 2006. The purpose of this staff report is to obtain approval of the bond documents and final authorization of the bond issuance.

**Committee/Commission Action:** Not applicable. Issuance of bonds for this project was previously reviewed and approved by the SHRA Commission.



APPROVAL OF BOND DOCUMENTS FOR THE HURLEY CREEK SENIOR APARTMENTS

**Background Information:**

Description of Development: Hurley Creek is proposed to be a newly constructed 208 unit senior apartment complex located within the Forecast Homes master planned community of Natomas Central. The apartment complex will satisfy a portion of the mixed income housing requirements of the Natomas Central development. The project will be located on 9.5 gross acres of land at the southwest corner of Snowy Egret Boulevard and El Centro Road. See Attachments A and B for vicinity and location maps.

The project will include 138 very low-income, 68 low-income, and two manager units in 15 two-story residential buildings. The units will be a mix of one and two bedrooms ranging in size from 599 square feet to 872 square feet. Buildings will be wood frame construction with a stucco siding and clay shingle roof tiles. The site will also include a 3,650 square foot club house which will contain a leasing office, kitchen, library with a study and computer area, fitness center, laundry facility, game, meeting and conference room, and mail center. The site will be professionally landscaped and includes a swimming pool. There will be 198 covered and an additional 27 uncovered parking spaces. There will also be 10 garages on site available for residents to rent.

Project Financing: The developer has proposed to finance the Hurley Creek Senior Apartments through the issuance of tax-exempt mortgage revenue bonds, low income housing tax credits, Agency loan, and a developer contribution in the form of a deferred fee note. In addition, the master developer, K. Hovnanian Forecast Homes, is contributing the land at a cost of \$1 and will be purchasing \$1,660,000 in bonds, which will be subordinate to senior bonds and Agency loan. A project summary, including a proposed sources and uses of funds, is included as Attachment C, and a project cash flow proforma is included as Attachment D. A schedule of maximum rents and incomes is included as Attachment E.

**Financial Considerations:** The proposed bond issuance will not be an obligation of the City, the Housing Authority, or the Sacramento Housing and Redevelopment Agency. The bonds will be an obligation solely of the project and the owner who will bear all costs associated with issuing the bonds. The Agency will receive a one-time issuance fee of .25 percent of the bond issuance amount, which is payable at bond closing. The Agency will also collect an annual payment of .15 percent of the total bond issuance amount for monitoring of the regulatory restrictions and administration of the bonds. This fee is payable in advance in semi-annual installments for the entire period of the regulatory agreement. The law firm of Jones Hall is acting as bond counsel for the Housing Authority. Copies of the bond documents are on file with the Agency Clerk.

**Environmental Considerations:** The potential environmental impacts of the development project were evaluated by the City of Sacramento, which prepared an Initial Study and issued a Negative Declaration, finding that the project will not have a significant adverse impact on the environment.

APPROVAL OF BOND DOCUMENTS FOR THE HURLEY CREEK SENIOR APARTMENTS

The proposed actions set out in this staff report are exempt from further environmental review in reliance on the City's environmental determination as allowed under the CEQA Guidelines Section 15096. In addition, CEQA Guidelines Section 15310 and the Agency's Environmental Procedures provide that approval of loans and bond financing funding mechanisms are exempt from environmental review. An Environmental Review Record and Environmental Assessment was prepared and a Finding of No Significant Impact was made for the Agency's HOME loan funding per NEPA requirements pursuant to 24 CFR Part 58. Therefore, no further environmental review is required.

**Policy Considerations:** The recommended actions are consistent with the Agency's previously approved mortgage revenue bond policy and 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 Agency on a regular basis.

The recommended actions are also consistent with the City Mixed Income Housing Ordinance. The project will meet the mixed income housing requirements for the K. Hovnanian Forcast Homes development of Natomas Central. The inclusionary housing requirements will be detailed in an Inclusionary Housing Regulatory Agreement recorded on the underlying land. Compliance with the Inclusionary Housing Regulatory Agreement will be monitored by the Agency on a regular basis.

**M/WBE Considerations:** Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding.

Respectfully Submitted by:



ANNE M. MOORE  
Executive Director

Recommendation Approved:

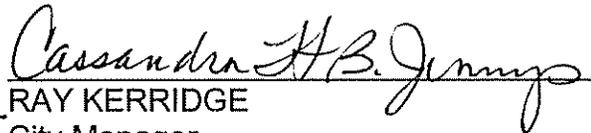
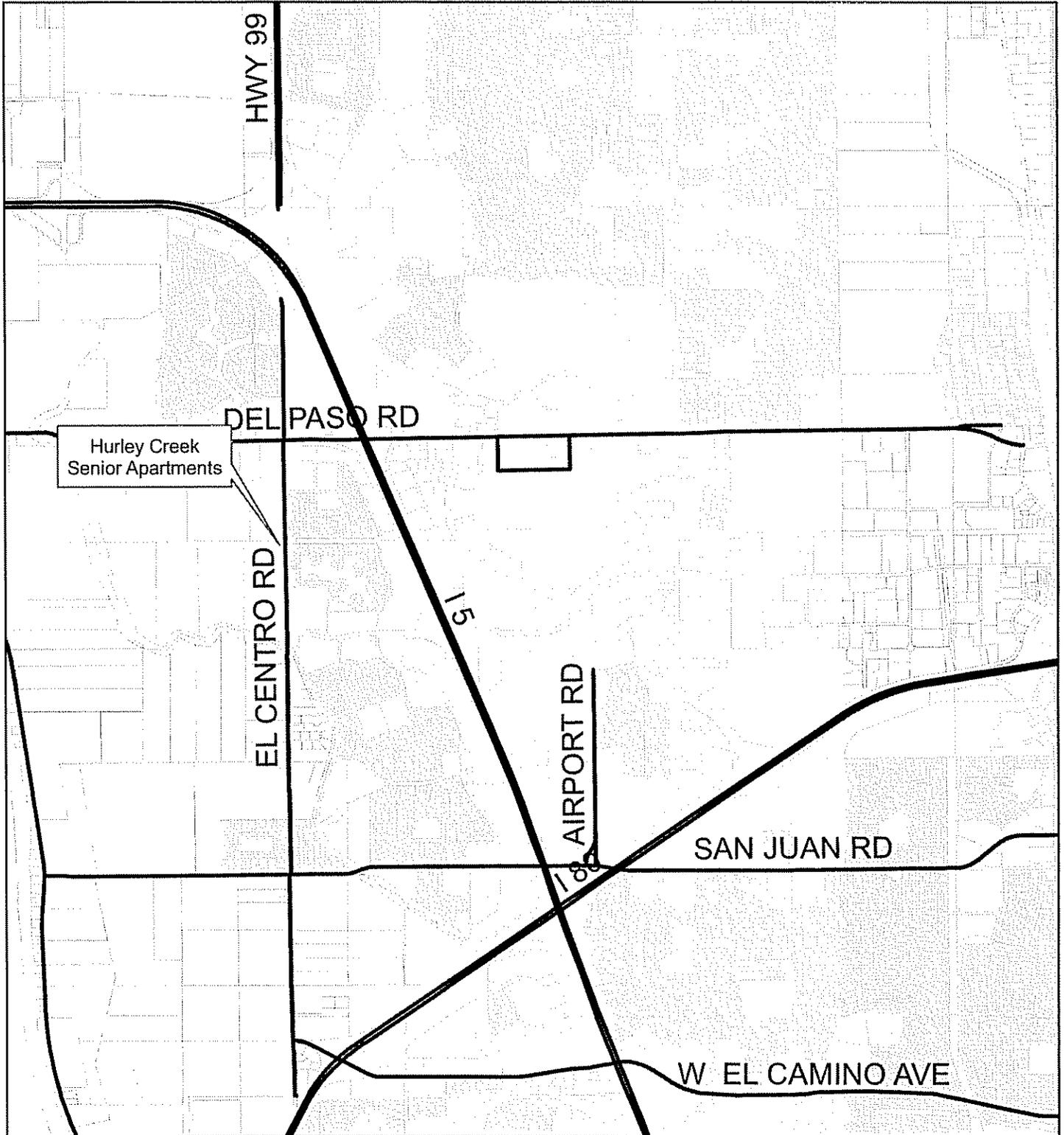
  
RAY KERRIDGE  
City Manager

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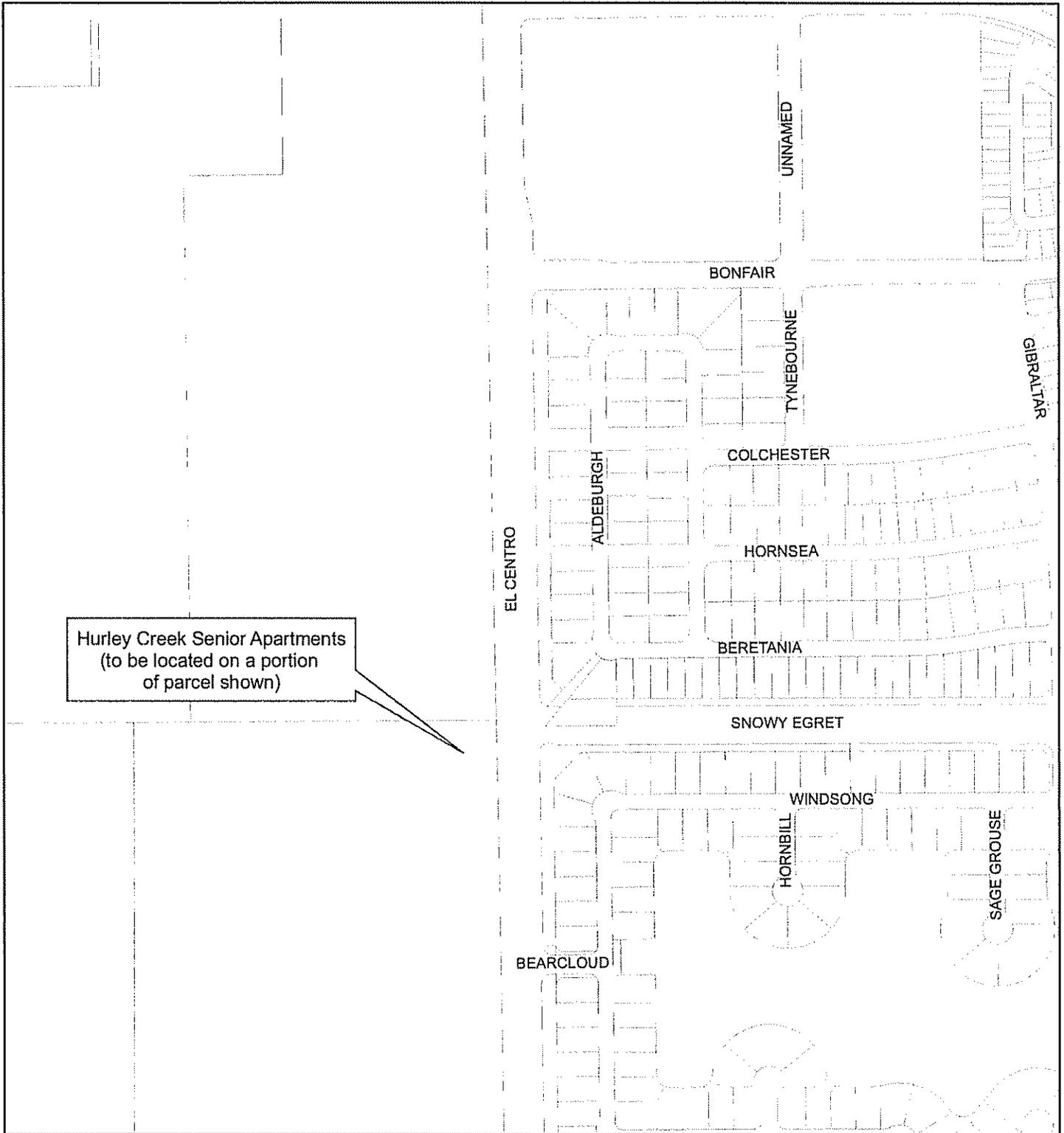
# Vicinity Map Hurley Creek Senior Apartments



### Legend

- Major Roads
- ▭ Parcels
- City of Sacramento

# Location Map Hurley Creek Senior Apartments



Hurley Creek Senior Apartments  
(to be located on a portion  
of parcel shown)



## Legend

 Parcels

## Hurley Creek Senior Apartments Project Summary

<b>Address</b>	Southwest corner of Snowy Egret Boulevard and El Centro Road		
<b>Number of Units</b>	208		
<b>Year Built</b>	New Construction		
<b>Acreage</b>	9.5 gross acres		
<b>Affordability</b>	138 units (66%) at or below 50% of medium 68 units (33%) at or below 60% of medium 2 Managers Unit		
<b>Unit Mix and Rents</b>	(50% AMI)		(60% AMI)
1 Bedroom / 1 Bath	101 @ \$601		51 @ \$721
2 Bedroom / 2 Bath	37 @ \$721		17 @ \$865
<b>Square Footage</b>	1 BR / 1 BA	599 square feet	
	2 BR / 2 BA	872 square feet	
	Community Room	3,650 square feet	
	Total	143,530 square feet	
<b>Resident Facilities</b>	A 3,650 square foot community room with laundry room, kitchen, library with computer area, mail room, fitness center, meeting and conference room.		
<b>Permanent Sources</b>	<i>Total</i>	<i>Per Unit</i>	<i>Per Square Foot</i>
Senior MRB	\$ 10,265,000	\$ 49,351	\$ 71.52
Tax Credit Equity	\$ 10,106,363	\$ 48,588	\$ 70.41
SHRA Loan	\$ 1,000,000	\$ 4,808	\$ 6.97
Subordinate Bonds	\$ 1,660,000	\$ 7,981	\$ 11.57
NOI During Lease Up	\$ 535,012	\$ 2,572	\$ 3.73
GIC Interest Income	\$ 344,925	\$ 1,658	\$ 2.40
Developer Note	\$ 1,931,631	\$ 9,287	\$ 13.46
<b>TOTAL SOURCES</b>	\$ 25,842,931	\$ 124,245	\$ 180.05
<b>Permanent Uses</b>			
Acquisition Costs	\$ 1	\$ 0	\$ 0.00
Construction Costs	\$ 14,549,636	\$ 69,950	\$ 101.37
Contractor Overhead & Profit	\$ 1,334,829	\$ 6,417	\$ 9.30
Architecture and Engineering	\$ 207,780	\$ 999	\$ 1.45
Financing Costs, Taxes & Insurance	\$ 2,554,020	\$ 12,279	\$ 17.79
Operating Reserves	\$ 400,833	\$ 1,927	\$ 2.79
Development Impact Fees	\$ 3,610,000	\$ 17,356	\$ 25.15
Reports, Survey, Title, Escrow, Legal	\$ 159,600	\$ 767	\$ 1.11
Contingency	\$ 100,000	\$ 481	\$ 0.70
Other Transaction Costs	\$ 426,232	\$ 2,049	\$ 2.97
Developer Fee	\$ 2,500,000	\$ 12,019	\$ 17.42
<b>TOTAL USES</b>	\$ 25,842,931	\$ 124,245	\$ 180.05
<b>Management / Operations</b>	Proposed Developer: St. Anton Capital, LLC		
	Property Management Company: St. Anton Management		
	Operations Budget:	\$636,745	\$3,061
	Replacement Reserves:	\$52,000	\$250

Hunley Creek Senior Apartments Cash Flow Proforma

Unit Type	Number	Square Feet	Total Sq Feet	Monthly Rent	Rent per Sq Foot	Annual		Year 10	Year 15	Year 20	Year 21	Year 25	Year 30
						Total Mo. Rent	Annual Rent						
1 BD / 1 BA @ 50% AMI	101	504	50,304	\$ 553	\$ 1.10	\$670,236							
1 BD / 1 BA @ 60% AMI	51	504	25,704	\$ 673	\$ 1.34	\$34,323	\$411,876						
2 BD / 2 BA @ 50% AMI	37	576	21,312	\$ 657	\$ 1.14	\$24,309	\$291,708						
2 BD / 2 BA @ 60% AMI	17	576	9,792	\$ 801	\$ 1.39	\$13,617	\$163,404						
2 BD / 2 BA Managers Unit	2	672	1,344	\$ 801	\$ 1.19	\$1,602	\$19,224						
Total / Average	208	566	109,056	\$ 697	\$ 1.23	\$129,704	\$1,556,448						
<b>Income</b>													
Potential Gross Income				1,619,914	1,660,412	1,701,922	1,744,470	1,786,082	2,023,051	2,288,896	2,589,876	2,654,418	2,929,980
Other Income				46,296	47,453	48,640	49,856	51,102	57,817	65,415	74,011	83,737	94,740
Less Vacancy	5.00%			83,311	85,393	87,528	89,716	91,959	104,043	117,716	133,184	150,686	170,487
Effective Gross Income				\$1,582,900	\$1,622,472	\$1,663,034	\$1,704,610	\$1,747,225	\$1,976,825	\$2,236,596	\$2,530,503	\$2,593,765	\$3,239,257
<b>Operating Expenses</b>													
Operating Expenses			2,335	485,603	502,599	520,190	538,397	557,241	661,827	786,043	933,572	966,247	1,108,791
Social Services			96	20,000	20,700	21,425	22,174	22,950	32,374	38,450	39,796	45,667	54,238
Property Taxes			364	75,741	77,256	78,801	80,377	81,984	90,518	99,939	110,340	112,547	121,825
Property Management			266	55,401	56,787	58,206	59,661	61,153	69,189	78,281	88,568	100,206	113,374
Replacement Reserves			250	52,000	53,560	55,167	56,822	58,526	67,848	78,655	90,918	105,705	122,541
Total Expenses			3,311	688,745	710,901	733,788	757,431	781,955	916,640	1,075,291	1,262,113	1,303,290	1,482,194
Net Operating Income				\$894,154	\$911,571	\$929,245	\$947,178	\$965,370	\$1,060,185	\$1,161,305	\$1,268,390	\$1,290,475	\$1,380,838
<b>Debt Service</b>													
Senior Loan			30	744,874	744,874	744,874	744,874	744,874	744,874	744,874	744,874	744,874	744,874
Interest Rate Cap Escrow				0	0	0	0	0	10,265	10,265	10,265	10,265	10,265
Net Cash after Senior Debt				149,280	166,697	184,371	202,305	220,496	305,046	406,166	513,251	535,336	625,699
<b>Priority Distributions</b>													
Asset Management Fee (AMF)				5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Partnership Management Fee (PMF)				16,199	16,604	17,019	17,445	17,881	20,231	22,889	25,897	26,544	29,300
PILOT Fee				40,460	41,208	42,032	42,873	43,730	48,282	53,307	58,855	60,032	64,981
Net Cash After Priority Distributions				87,681	103,885	120,320	136,987	153,885	231,534	324,970	423,459	443,760	526,418
<b>SHRA HOME loan</b>													
Interest for Period			23	40,000	40,000	40,000	40,000	40,000	40,000	40,000	20,407	9,224	0
Payment				0	0	0	0	0	0	0	210,000	239,816	0
Accrued Interest				40,000	80,000	120,000	160,000	200,000	400,000	400,000	390,000	0	0
Balance				1,040,000	1,080,000	1,120,000	1,160,000	1,200,000	1,400,000	1,390,000	230,592	0	0
Combined Debt Coverate Ratio				1.20	1.22	1.25	1.27	1.30	1.40	1.20	1.20	1.30	1.83
Net Cash After HOME Loan Repayment				87,681	103,885	120,320	136,987	153,885	231,534	114,970	123,499	203,944	526,418
<b>Developer Note</b>													
Interest			17	77,265	76,849	75,767	73,985	71,465	48,128	704	0	0	0
Accum Balance				2,008,896	1,998,064	1,969,946	1,923,611	1,858,089	1,251,331	18,297	0	0	0
Payment				87,681	103,885	120,320	136,987	153,885	231,534	18,297	0	0	0
Balance				1,921,215	1,894,179	1,849,626	1,786,624	1,704,204	1,019,797	0	0	0	0

**MAXIMUM RENT AND INCOME LEVELS**

**Mortgage Revenue Bond Program**

(Rents @ 50% of AMI less utility allowance)

Maximum Income Limits:	
50% AMI	
<u>Family Size</u>	<u>Max. Income</u>
1 person	\$ 22,450
2 person	\$ 25,650
3 person	\$ 28,850
4 person	\$ 32,050
5 person	\$ 34,600

Maximum Rent Limits:	
<u>Unit Size</u>	<u>Gross Rent</u>
1 Bedroom	\$ 601
2 Bedroom	\$ 721
3 Bedroom	\$ 833

**4% Low-Income Housing Tax Credit Program**

(Rents @ 60% of AMI less utility allowance)

Maximum Income Limits:	
60% AMI	
<u>Family Size</u>	<u>Max. Income</u>
1 person	\$ 26,940
2 person	\$ 30,780
3 person	\$ 34,620
4 person	\$ 38,460
5 person	\$ 41,520

Maximum Rent Limits:	
<u>Unit Size</u>	<u>Gross Rent</u>
1 Bedroom	\$ 721
2 Bedroom	\$ 865
3 Bedroom	\$ 999

**HOME Funds**

(Rents @ 50% and 65% of AMI less utility allowance)

Maximum Income Limits:			
<u>Family Size</u>	(HOME)		(HOME)
	50% AMI		60% AMI
	<u>Max. Income</u>		<u>Max. Income</u>
1 person	\$ 22,450		\$ 26,940
2 person	\$ 25,650		\$ 30,780
3 person	\$ 28,850		\$ 34,620
4 person	\$ 32,050		\$ 38,460
5 person	\$ 34,600		\$ 41,520

Maximum Rent Limits:			
<u>Unit Size</u>	<u>Gross Rent</u>		<u>Gross Rent</u>
			(at 65% AMI)
1 Bedroom	\$ 601		\$ 759
2 Bedroom	\$ 721		\$ 915
3 Bedroom	\$ 833		\$ 1,049

# RESOLUTION NO. 2006 - \_\_\_\_

ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

on date of

**RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF HOUSING AUTHORITY OF THE CITY OF SACRAMENTO MULTIFAMILY HOUSING REVENUE BONDS (HURLEY CREEK SENIOR APARTMENTS) 2006 ISSUE E AND 2006 ISSUE E-S, AUTHORIZING THE EXECUTION AND DELIVERY OF A TRUST INDENTURE, A FINANCING AGREEMENT, AN INDENTURE OF TRUST, A LOAN AGREEMENT, A REGULATORY AGREEMENT, A SUBORDINATION AGREEMENT, A BOND PURCHASE AGREEMENT AND AN OFFICIAL STATEMENT AND AUTHORIZING THE EXECUTION AND DELIVERY OF, AND APPROVING OTHER RELATED DOCUMENTS AND OTHER RELATED ACTIONS IN CONNECTION THEREWITH; HURLEY CREEK SENIOR APARTMENTS**

## BACKGROUND

- A. Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California, commencing with Section 34200 (the "Act"), authorizes housing authorities to incur indebtedness for the purpose of financing the acquisition, construction and development of multifamily rental housing facilities to be occupied in part by persons of low and very low income.
- B. The Housing Authority of the City of Sacramento (the "Authority") hereby finds and declares that it is necessary, essential and a public purpose for the Authority to engage in a program (the "Program") of financing the acquisition, construction and development of multifamily rental housing facilities, and has determined to borrow money for such purpose by the issuance of revenue bonds as authorized by the Act.
- C. The Authority hereby finds and declares that this resolution is being adopted pursuant to the powers granted by the Act.
- D. Hurley Sacramento, LP, a California limited partnership (the "Borrower"), has requested that the Authority issue and sell the Bonds (hereinafter defined) for the purpose of financing the acquisition, construction and development of a multifamily rental housing project to be commonly known as the Hurley Creek Senior Apartments to be located on the Southwest corner of the intersection of Snowy Egret Boulevard and El Centro Road in the City of Sacramento, California (the "Project").
- E. All conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of the Bonds and the implementation of the Program as contemplated by this resolution and the

documents referred to herein exist, have happened and have been performed in due time, form and manner as required by the laws of the State of California, including the Act.

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

Section 1. The Authority hereby finds and declares that the above recitals are true and correct.

Section 2. Pursuant to the Act, revenue bonds of the Authority designated as "Housing Authority of the City of Sacramento Multifamily Housing Revenue Bonds (Hurley Creek Senior Apartments) 2006 Issue E" in an aggregate principal amount not to exceed \$13,105,000 (the "Senior Bonds") and as "Housing Authority of the City of Sacramento Multifamily Housing Revenue Bonds (Hurley Creek Senior Apartments) 2006 Issue E-S" in an aggregate principal amount not to exceed \$1,660,000 (the "Subordinate Bonds" and together with the Senior Bonds, the "Bonds") are hereby authorized to be issued. The Bonds shall be executed by the manual or facsimile signature of the Chairperson, Vice Chairperson or Executive Director of the Authority, and attested by the manual or facsimile signature of the Secretary of the Board of the Authority or the Clerk of the Sacramento Housing and Redevelopment Agency (the "Clerk"), in the form set forth in and otherwise in accordance with the Indenture (hereinafter defined).

Section 3. The following documents with respect to the Bonds (the "Bond Documents") between and/or among the Authority and the institutions named therein, in the forms on file with the Clerk, are hereby approved:

- (a) a trust indenture with respect to the Senior Bonds (the "Senior Indenture") between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee");
- (b) a financing agreement with respect to the Senior Bonds (the "Financing Agreement") among the Authority, the Trustee and the Borrower;
- (c) an indenture of trust with respect to the Subordinate Bonds (the "Subordinate Indenture") between the Authority and Wells Fargo Bank National Association, as trustee (the "Subordinate Trustee");
- (d) a loan agreement with respect to the Subordinate Bonds (the "Loan Agreement") the Authority, the Subordinate Trustee and the Borrower;
- (e) a regulatory agreement and declaration of restrictive covenants (the "Regulatory Agreement") among the Authority, the Trustee and the Borrower:

- (f) a bond purchase agreement with respect to the Senior Bonds (the "Bond Purchase Agreement") among the Authority, the Borrower and Capmark Securities Inc.;
- (g) a preliminary official statement with respect to the Senior Bonds (the "Preliminary Official Statement");
- (h) a Bond Purchase and Placement Agreement with respect to the Subordinate Bonds (the "Bond Placement Agreement" among the Authority, the Borrower and Capmark Securities Inc.;
- (i) an Intercreditor Agreement with respect to the Senior Bonds; and
- (j) Subordination Agreements with respect to the Senior and Subordinate Bonds.

The Chairperson, the Vice Chairperson or the Executive Director of the Authority (the "Designated Officers") are, and each of them acting alone is, hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Bond Documents, and Clerk of the Sacramento Housing and Redevelopment Agency is hereby authorized and directed, for and in the name and on behalf of the Authority, to attest the Designated Officer's signature on the Bond Documents, if necessary, in substantially said forms, with such additions thereto or changes therein as are recommended or approved by such officers upon consultation with bond counsel to the Authority, including such additions or changes as are necessary or advisable in accordance with Section 5 hereof (provided that no additions or changes shall authorize an aggregate principal amount of Bonds in excess of \$14,765,000), the approval of such additions or changes to be conclusively evidenced by the execution and delivery by the Authority of the Bond Documents. The date, maturity dates, interest rate or rates, interest payment dates, denominations, form registration privileges, manner of execution, place of payment, terms of redemption, and other terms of the Bonds shall be as provided in the Indenture and Subordinate Indenture, as applicable, as finally executed.

Section 4. The Bonds, when executed, shall be delivered to the applicable Trustee for authentication. The Trustee is hereby requested and directed to authenticate the Bonds by executing the applicable Trustee's certificate of authentication and registration appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to the purchasers thereof in accordance with written instructions executed on behalf of the Authority by one of the Designated Officers, which instructions such officers are, and each of them is, hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver to the applicable Trustee. Such instructions shall provide for the delivery of the Bonds to the purchasers thereof upon payment of the purchase price therefor.

Section 5. All actions heretofore taken by the officers and agents of the Authority with respect to the establishment of the Program and the sale and issuance of the Bonds are hereby approved, confirmed and ratified, and the proper officers of the Authority,

including the Designated Officers, are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions, including, but not limited to, determining the principal amount of the Bonds to be issued and delivered (provided such aggregate principal amount shall not exceed \$14,765,000) and any remarketing provisions with respect thereto, and execute and deliver any and all certificates, agreements and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds in accordance with this Resolution and resolutions heretofore adopted by the Authority and in order to carry out the Program, including but not limited to those certificates, agreements, deeds of trust and other documents described in the Senior Indenture, the Financing Agreement, the Subordinate Indenture, the Loan Agreement, the Regulatory Agreement, the Bond Purchase Agreement, the Bond Placement Agreement, Intercreditor Agreement and Subordination Agreements and the other documents herein approved and any certificates, agreements or documents as may be necessary to further the purpose hereof, evidence credit support or additional security for the Bonds, but which shall not create any obligation or liability of the Authority other than with respect to the revenues and assets derived from the proceeds of the Bonds.

Section 6. This resolution shall take effect immediately upon its adoption.

