



**REPORT TO HOUSING AUTHORITY
City of Sacramento**

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

CONSENT
July 25, 2006

Honorable Chair and Members of the Board

Subject: APPROVAL OF BOND DOCUMENTS FOR SHENANDOAH APARTMENTS
(FORMERLY RIVERSIDE COMMONS APARTMENTS)

Location/Council District:

- 6205 Riverside Blvd., District 4

Recommendation: Staff recommends adoption of the attached Housing Authority Resolution which:

- approves documents authorizing a bond issuance of not more than \$7,000,000 for the acquisition, rehabilitation, and permanent financing of the Shenandoah Apartments (formerly Riverside Commons Apartments); and
- authorizes the Chairperson, the Vice Chairperson, or the Executive Director to execute all documents necessary to issue the bonds.

Contact: Jim Hare, Assistant Director, Housing Policy and Development,
440-1313
Alan Saunders, Housing Finance Analyst, 440-1399 x1262

Presenters: Not Applicable

Department: Sacramento Housing and Redevelopment Agency

Summary: This report recommends approval of the bond documents and final authorization to issue up to \$7,000,000 in tax-exempt bonds to finance the acquisition, rehabilitation, and permanent financing of the Shenandoah Apartments (formerly Riverside Commons Apartments).

Background Information: The Housing Authority of the City of Sacramento held an inducement hearing on May 9, 2006, and adopted a resolution authorizing the issuance of tax-exempt mortgage revenue bonds for the Shenandoah Apartments (formerly Riverside Commons Apartments), subject to receipt of private activity bond allocation from the State of California. The Tax Equity and Fiscal Responsibility Act (TEFRA) hearing was held on the same date and the TEFRA resolution was approved. Following

the inducement and TEFRA approvals, an application was submitted to the California Debt Limit Allocation Committee (CDLAC) for the bond allocation, which we anticipate will be approved by CDLAC on July 20, 2006. The purpose of this staff report is to obtain approval of the bond documents and final authorization of the bond issuance.

Description of Development: Shenandoah Apartments (formerly Riverside Commons Apartments) is an existing 100 unit market-rate apartment development located in the Greenhaven/Pocket area on 3.7 acres at 6205 Riverside Boulevard. The wood frame buildings are constructed on concrete slabs with stucco siding and vertical wood accents. A vicinity map is attached as Exhibit A. A site map is attached as Exhibit B.

The project will include 20 very low-income units and 80 low-income units in 8 two-story residential buildings. The units are a mix of one, two, and three bedrooms ranging in size from 630 square feet to 1,000 square feet. The building rehabilitation will include the replacement of a failing central hot water boiler system, roof, windows with dual pane, siding with "Hardi-Plank" type material, and most HVAC units. Unit interiors will be upgraded as needed with the repair or replacement of appliances, floor covering, paint, window covers, and bathroom fixtures.

A Relocation Plan has been produced by Overland Pacific & Cutler, Inc. for the Developer under the assumption that a portion of the current tenants living in a market rate development will have incomes above the required restricted income levels.

Permanently displaced households will receive benefits and assistance as required under federal relocation law. Relocation benefits include assistance in locating a housing unit of a comparable size, standard, and quality. A rental housing survey was being prepared as part of the Relocation Plan.

Households will also be compensated for moving expenses and receive rental assistance housing payments for 42 months. The amount of each rental assistance payment will be based on each household's specific need. All displaced households will receive a 90 day notice to vacate before they are required to move.

The developer anticipates that some temporary relocation will be required due to rehabilitation work. Households affected will be provided with temporary relocation benefits in accordance with federal law.

Project Financing: The developer has proposed to finance Shenandoah Apartments (formerly Riverside Commons Apartments) through primarily the issuance of tax-exempt mortgage revenue bonds, low income housing tax credits, an Agency loan and a developer contribution in the form of a deferred fee note. A project summary, including a proposed sources and uses of funds, is included as Attachment C. The project's financing will require 20% of the units remain affordable to individuals earning 50% Area Median Income (AMI) or less and that the remaining 80% of the units remain affordable to individuals earning 60% of AMI or less. A project cash flow proforma is included as Attachment D and 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 the 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 0.25 percent (25 basis points) of the bond issuance amount, which is payable at bond closing. The Agency will also collect an annual payment of 0.15 percent (15 basis points) of the total bond issuance amount for monitoring of the regulatory restrictions and administration of the bonds. This fee is payable in advance in equal 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 proposed action is exempt from environmental review under the Agency's Environmental Review Policies and Procedures, Sections 7-3.1 and 7-3.10, which were adopted pursuant to CEQA Guidelines Section 15022, and provide that loans and bond financing funding mechanisms are exempt under Section 15310. In addition, CEQA Guidelines Section 15301(a) and (d) exempts rehabilitation of existing facilities to upgrade the structures and to meet public health and safety standards. NEPA does not apply.

Policy Considerations: The recommended actions are consistent with previously approved mortgage revenue bond policy. Regulatory restrictions on the property are specified in the Bond Regulatory Agreement between the Developer and the Housing Authority. Compliance with the Regulatory Agreement will be monitored by the Agency on a regular basis.

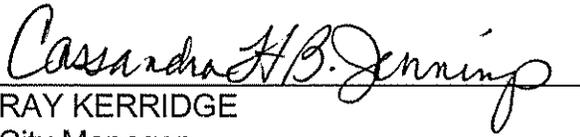
M/WBE Considerations: Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding.

Respectfully Submitted by:



ANNE M. MOORE
Executive Director

Recommendation Approved:

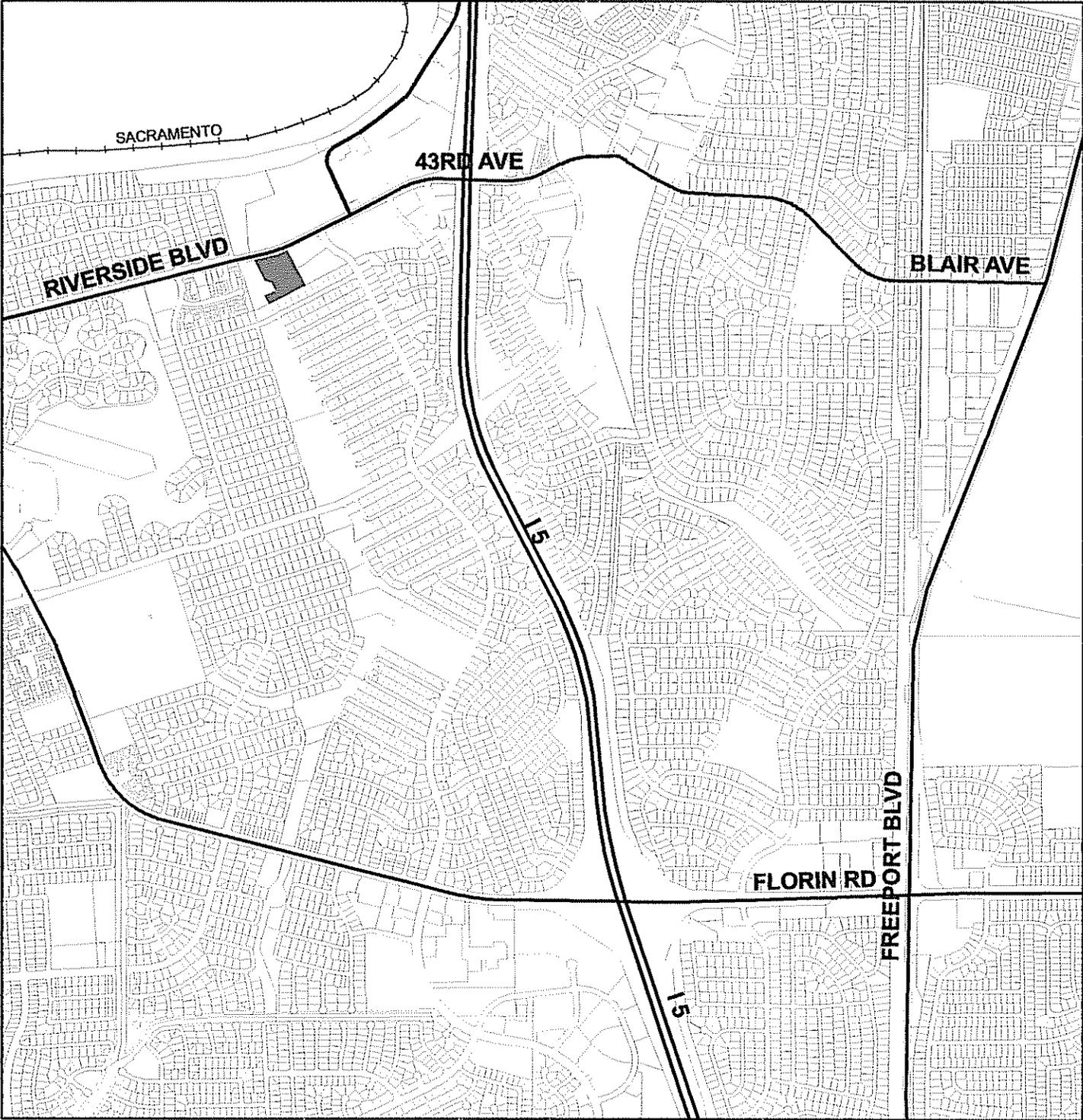


RAY KERRIDGE
City Manager

Table of Contents

Page 5	Attachment A: Vicinity Map
Page 6	Attachment B: Site Map
Page 7	Attachment C: Project Summary
Page 8	Attachment D: Project Cash Flow
Page 9	Attachment E: Rent and Income Level Restrictions
Page 10-12	Housing Authority Resolution

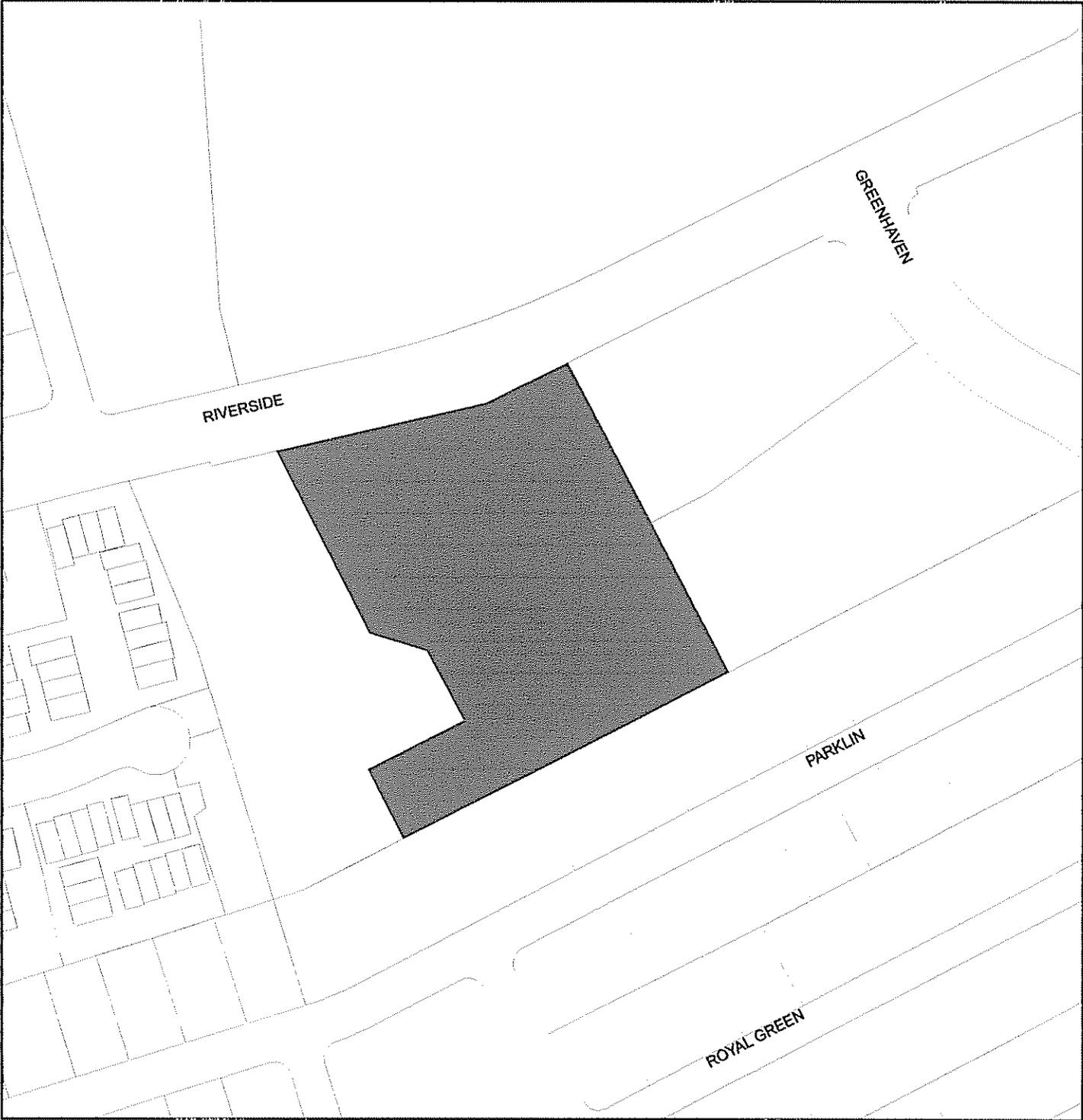
Shenandoah Apartments Vicinity Map



Legend

- Sacramento River
- Parcels
- Major Roads
- Shenandoah Apartments

Shenandoah Apartments Location Map



Legend

-  Shenandoah Apartments
-  Parcels

Shenandoah Apartments (formerly Riverside Commons Apartments)

Address	6205 Riverside Blvd , Sacramento, CA 95831		
Number of Units	100		
Year Built	1968		
Acreage	3.7 Acres		
Affordability	20 units (20%) at or below 50% of medium 80 units (80%) at or below 60% of medium		
Unit Mix and Gross Rents	Gross Rents Before Utility Allowance		
	(50% AMI)	(60% AMI)	
1 Bedroom / 1 Bath	8 @ \$613	30 @ \$735	
2 Bedroom / 1 Bath	11 @ \$736	43 @ \$883	
3 Bedroom / 1.25 Bath	1 @ \$850	7 @ \$1020	
Square Footage			
1 BR / 1 BA	630 square feet		
2 BR / 2 BA	800 square feet		
3 BR / 1.25 BA	1,000 square feet		
Common Areas	1,708 square feet		
Total	76,848 square feet		
Resident Facilities	Outdoor pool, new community room (to be built)		
Permanent Sources	<i>Total</i>	<i>Per Unit</i>	<i>Per Square Foot</i>
Tax Exempt Bond	\$ 6,250,000	\$ 62,500	\$ 81.33
Tax Credit Equity	\$ 4,398,925	\$ 43,989	\$ 57.24
SHRA Loan	\$ 2,200,000	\$ 22,000	\$ 28.63
NOI During Lease Up	\$ 720,345	\$ 7,203	\$ 9.37
Developer Note	\$ 569,923	\$ 5,699	\$ 7.42
TOTAL SOURCES	\$ 14,139,193	\$ 141,392	\$ 183.99
Permanent Uses			
Property Acquisition	\$ 7,798,594	\$ 77,986	\$ 101.48
Construction Costs	\$ 2,327,000	\$ 23,270	\$ 30.28
Contractor Overhead & Profit	\$ 307,164	\$ 3,072	\$ 4.00
Costs of Issuance	\$ 458,489	\$ 4,585	\$ 5.97
Operating Reserves	\$ 224,805	\$ 2,248	\$ 2.93
Other Soft Costs	\$ 768,309	\$ 7,683	\$ 10.00
Senior Loan Interest (24 months)	\$ 500,000	\$ 5,000	\$ 6.51
Contingency	\$ 232,700	\$ 2,327	\$ 3.03
Developer Fee	\$ 1,522,132	\$ 15,221	\$ 19.81
TOTAL USES	\$ 14,139,193	\$ 141,392	\$ 183.99
Management / Operations			
Proposed Developer:	Capital Valley Investments and Jamboree Housing		
Property Management Company:	FPI Management, Inc.		
Operations Budget:	\$385,644	\$3,856	
Replacement Reserves:	\$30,000	\$300	

MAXIMUM RENT AND INCOME LEVELS

Mortgage Revenue Bond Program

Rents @ 50% of AMI

Maximum Income Limits:	
50% AMI	
<u>Family Size</u>	<u>Max. Income</u>
1 person	\$ 22,900
2 person	\$ 26,150
3 person	\$ 29,450
4 person	\$ 32,700
5 person	\$ 35,300

Maximum Rent Limits:	
<u>Unit Size</u>	<u>Gross Rent</u>
1 Bedroom	\$ 654
2 Bedroom	\$ 736
3 Bedroom	\$ 817

4% Low-Income Housing Tax Credit Program

Rents @ 60% of AMI

Maximum Income Limits:	
60% AMI	
<u>Family Size</u>	<u>Max. Income</u>
1 person	\$ 27,480
2 person	\$ 31,380
3 person	\$ 35,340
4 person	\$ 39,240
5 person	\$ 42,360

Maximum Rent Limits:	
<u>Unit Size</u>	<u>Net Rent</u>
1 Bedroom	\$ 735
2 Bedroom	\$ 883
3 Bedroom	\$ 1,020

HOME Funds

Rents @ 50% and 60% of AMI less utility allowance

Maximum Income Limits:		
	(HOME) 50% AMI	(HOME) 60% AMI
<u>Family Size</u>	<u>Max. Income</u>	<u>Max. Income</u>
1 person	\$ 22,900	\$ 27,480
2 person	\$ 26,150	\$ 31,380
3 person	\$ 29,450	\$ 35,340
4 person	\$ 32,700	\$ 39,240
5 person	\$ 35,300	\$ 42,360

Maximum Rent Limits:		
	<u>Net Rent</u> (at 50% AMI)	<u>Net Rent</u> (at 65% AMI)
1 Bedroom	\$ 613	\$ 761
2 Bedroom	\$ 736	\$ 916
3 Bedroom	\$ 850	\$ 1,049

RESOLUTION NO. 2006 - ___

ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

ON DATE OF

**RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF
SACRAMENTO AUTHORIZING THE ISSUANCE, EXECUTION AND
DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS,
AUTHORIZING THE EXECUTION AND DELIVERY OF A TRUST
INDENTURE, A FINANCING AGREEMENT, A REGULATORY
AGREEMENT, A BOND PURCHASE AGREEMENT AND AN OFFICIAL
STATEMENT AND AUTHORIZING THE EXECUTION AND DELIVERY
OF AND APPROVING OTHER RELATED DOCUMENTS AND
APPROVING OTHER RELATED ACTIONS RELATING THERETO;
SHENANDOAH 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, rehabilitation 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, rehabilitation 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. Shenandoah at Sacramento, L.P., 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, rehabilitation and development of a multifamily rental housing project to be commonly known as the Shenandoah Apartments (formerly known as the Riverside Commons Apartments) located at 6205 Riverside Boulevard 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 (Shenandoah Apartments) 2006 Issue F" in an aggregate principal amount not to exceed \$7,000,000 (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 (the "Indenture") between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee");

(b) a financing (the "Financing Agreement") among the Authority, the Trustee and the Borrower;

(c) a regulatory agreement and declaration of restrictive covenants (the "Regulatory Agreement") among the Authority, the Trustee and the Borrower;

(d) a bond purchase agreement (the "Bond Purchase Agreement") among the Authority, the Borrower and Capmark Securities Inc.; and

(e) a preliminary official statement with respect to the Bonds (the "Preliminary Official Statement")

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 \$7,000,000), 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, as finally executed.

Section 4. The Bonds, when executed, shall be delivered to the Trustee for authentication. The Trustee is hereby requested and directed to authenticate the Bonds by executing the 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 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 \$7,000,000) 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 Regulatory Agreement, the Bond Purchase Agreement 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.

