



REPORT TO CITY COUNCIL AND HOUSING AUTHORITY

City of Sacramento

915 I Street, Sacramento, CA 95814-2671

www.CityofSacramento.org

PUBLIC HEARING
October 11, 2005

Honorable Mayor and
Members of the City Council

Subject: APPROVAL OF ISSUANCE OF TAX-EXEMPT BONDS FOR SUMMERFIELD
PLAZA APARTMENTS

Location/Council District:

- 521 Wilson Avenue, District 1
- 2624 Traction Avenue, District 2 (North Sacramento Redevelopment Area)

Recommendation: Staff recommends adoption of the attached resolutions which:

- indicate the willingness of the Housing Authority of the City of Sacramento (Housing Authority) to issue up to \$4,500,000 in tax-exempt mortgage revenue bonds to provide acquisition, rehabilitation, and permanent financing for the Summerfield Plaza Apartments;
- authorize an application to the California Debt Limit Allocation Committee (CDLAC) for authority to issue the bonds; and
- indicate the City Council has conducted a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing related to the proposed acquisition, rehabilitation, and permanent financing of the project.

Contact: Darren Bobrowsky, Director of Development Services, 440-1310
Christine Weichert, Housing Finance Program Manager, 440-1353
Richard Marsh, Housing Finance Analyst, 440-1399 x1298

Presenters: Darren Bobrowsky, Director of Development Services
Christine Weichert, Housing Finance Program Manager
Richard Marsh, Housing Finance Analyst

Department: Sacramento Housing and Redevelopment Agency

Summary: This report recommends the use of tax-exempt mortgage revenue bonds to provide acquisition, rehabilitation, and permanent financing for the Summerfield Plaza Apartments to a partnership affiliated with the current owner. Issuance of the bonds requires: 1) adoption of an inducement resolution to indicate the Housing Authority's intent to issue the bonds, 2) authorization of an application to CDLAC for authority to issue the bonds, and 3) holding a TEFRA public hearing. These actions will not commit the Housing Authority to issuing bonds until and unless all other necessary actions and approvals are taken or received in accordance with all applicable laws and to the

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satisfaction of the City Council. The hearing of this report by the City Council shall serve as the public hearing required under TEFRA.

Commission Action: At its September 21, 2005 meeting the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES: Burns, Burruss, Coriano, Fowler, Gale, Hoag, Piatkowski, Simon, Stivers.

NOES: None.

ABSENT: Gore, Shah.

Background Information: National Church Residences, a non-denominational and secular non-profit corporation ("Developer"), has requested issuance of up to \$4.5 million in tax-exempt mortgage revenue bonds to a partnership affiliated with the current owner for acquisition and rehabilitation of the 40-unit Summerfield Plaza Apartments. Vicinity and site maps are included as Attachments A, B-I, and B-II, respectively.

Description of Development: Summerfield Plaza Apartments, built in 1985, consists of two 20-unit apartment complexes serving disabled seniors. While all the units are under single ownership and management, the apartments are located on non-contiguous parcels approximately 1.3 miles apart. The 521 Wilson Avenue portion consists of 20 apartments, an office and laundry building, and a maintenance shop on approximately 1.57 acres. The 2624 Traction Avenue portion consists of another 20 apartment units, a laundry building, an office and community building, and a maintenance shop on approximately 1.35 acres. Altogether, the project includes 10 studios, 25 one-bedroom units, and 5 two-bedroom units, ranging from approximately 500 to 700 square feet in size. Unit amenities include an oven/range, refrigerator, garbage disposal, heating and air conditioning, and storage closet. Both properties are fenced and gated. The grounds are fully landscaped and on-site surface parking is provided.

The property has been owned since construction by National Church Residences of Sacramento, CA, an Ohio-based non-profit corporation. Summerfield Village Apartments L.P., a partnership affiliated with the current owner, holds an option to purchase the property subject to securing the necessary financing. The project is to remain a facility for disabled seniors. The Developer is proposing to invest approximately \$1 million (\$25,000 per unit) to improve the site and rehabilitate the exterior and interior of the facility. Site work will include improvements to the irrigation system, landscaping, and asphalt. Exterior work will include repair and/or replacement of all roofing, siding, and windows, and painting. Apartment interiors will be improved as needed with electrical and plumbing upgrades, replacement of appliances, cabinets, carpet and vinyl, and painting. Handicapped-designated units will be modified to be fully compliant with current ADA requirements. Additionally, a community room is to be constructed at the Wilson Avenue site and the community room at the Traction Avenue site is to be enlarged and upgraded. The improvements will bring the property up to current market standards.

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Summerfield Plaza was originally developed using financing provided by the U.S. Department of Housing and Urban Development (HUD) under Section 202 of the Housing Act of 1959, in conjunction with a HUD project-based Section 8 Housing Assistance Payment (HAP) contract. The HUD Regulatory Agreement and the HAP contract together require all units to be affordable to individuals earning 50 percent or less of Area Median Income (AMI). The HUD Regulatory Agreement on the project extends until 2026; the current HAP contract is about to expire, but the Developer has applied for a renewal and expects approval. The proposed financing will rehabilitate the property and preserve affordability until 2060.

The Agency is proposing to issue up to \$4.5 million in tax-exempt mortgage revenue bonds, to be used in conjunction with 4 percent low income housing tax credits. The new financing will require at least 30 percent of the units (12 units) to be affordable by individuals earning 50 percent or less of AMI, and the remaining 28 units to be affordable by individuals earning 60 percent or less of AMI, for a period of 55 years. In actuality, all 40 units are covered by the HAP contract, which means that the tenants in all units will be at 50 percent or less of AMI, and will pay only 30 percent of their income in rent. Both complexes will continue to serve disabled seniors.

Developer: National Church Residences has developed numerous affordable apartment projects across the U.S. since its inception in 1961. The organization is non-denominational and secular and provides a continuum of care for elderly and handicapped of all denominations through affordable housing, assisted living, supportive services, and health care facilities in 27 states and Puerto Rico. Their current portfolio of owned and/or managed properties includes more than 15,000 units in approximately 240 projects. Summerfield Plaza is the only project developed by the company in Sacramento to date, but the firm has six other projects in California, located in Alhambra (2), Cudahy, Cypress, Laguna Beach, and Pacifica. The Developer currently manages the property and provides services to the residents through a services coordinator, and will continue to do so after the acquisition.

Project Financing: Income to Summerfield Plaza Apartments is supplemented by the project-based Section 8 HAP contract on all 40 of the units which enables the Developer to accommodate residents at 50 percent AMI, while receiving supplemental payments from HUD up to approved Section 8 rents. While the current HAP contract is about to expire, the Developer has applied to HUD for a renewal. The Developer will be

required to renew the HAP contract on the property as long as it is offered by HUD. 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.

This report recommends the approval of issuance of up to \$4.5 million in tax-exempt mortgage revenue bonds, to be used in conjunction with 4 percent tax credits, to finance the acquisition and rehabilitation of the Summerfield Plaza Apartments. The bonds will be credit-enhanced through FHA 221(d)(4) insurance on the underlying mortgage loan and publicly-offered through a bond underwriter approved by the Agency. We note the

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Developer has requested the option of issuing some taxable bonds in the place of some of the tax-exempt bonds, in order to accommodate partial seller-financing of the acquisition. In this event, the seller would privately acquire and hold the taxable bond portion. The Agency will report back to the Housing Authority on the actual bond amounts with the request for final approval of the bond documents. The law firm of Jones Hall will serve as bond counsel to the Agency.

Bond Financing: As a public entity, the Housing Authority can issue tax-exempt bonds, the proceeds of which can provide acquisition, construction, and permanent financing for multi-family housing projects. Interest paid on the bonds is exempt from federal and state income tax, so bondholders will accept a below-market yield from the bonds. These savings are, in turn, passed on to the project owner in the form of a below-market rate loan, with interest rates approximately one to two percent below prevailing market rates.

Low-income Set-aside Requirements: As a condition of receiving the tax-exempt bond financing benefits of below-market rates, federal law requires that project units be set aside for targeted income groups. The federal set-aside requirements are that either 20 percent of the project units are rented to households at or below 50 percent of AMI, or 40 percent of project units are rented to households at or below 60 percent of AMI. The Agency requires that the deeper affordability terms be required of projects in Sacramento. For this project, at least 30 percent of the units will be occupied by families at 50 percent or less of AMI. The term of these affordability restrictions is 55 years or the life of the bonds, whichever is longer.

State and Local Approval Process: The Housing Authority must apply for (and receive) authorization from the California Debt Limit Allocation Committee (CDLAC) prior to issuing tax-exempt mortgage revenue bonds. The "volume cap" is limited and is allocated by CDLAC through a competitive state-wide process.

Project Inducement: Prior to granting bond allocation, CDLAC requires that an "inducement" resolution be adopted by the entity proposing to issue the bonds. Inducement at this time will also allow the developer to be reimbursed from bond issue proceeds for acquisition expenses that it has incurred already and will incur in the future. Staff thus recommends that the City, acting through the Housing Authority, adopts a resolution to indicate its intent to issue bonds to finance the purchase and rehabilitation of the project. Adoption of the resolution will not bind the City to issue bonds until and unless all other necessary actions are taken in accordance with all applicable laws. The Inducement and TEFRA Resolutions are included as Attachments F and G, respectively.

Financial Considerations: Adoption of the attached resolutions will not result in any direct financial obligation to the City, the Housing Authority, or the Sacramento Housing and Redevelopment Agency.

The Agency will receive a one-time issuance fee of 0.25 percent (25 basis points) of the bond amount, which is payable at bond closing, and an annual payment for monitoring

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the regulatory restrictions and administration of the bonds, in the amount of 0.15 percent of the bond amount (15 basis points) for the term of the low-income set-aside requirements. The Developer will be responsible for payment of all costs, fees, and deposits relating to the bond application.

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 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.

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

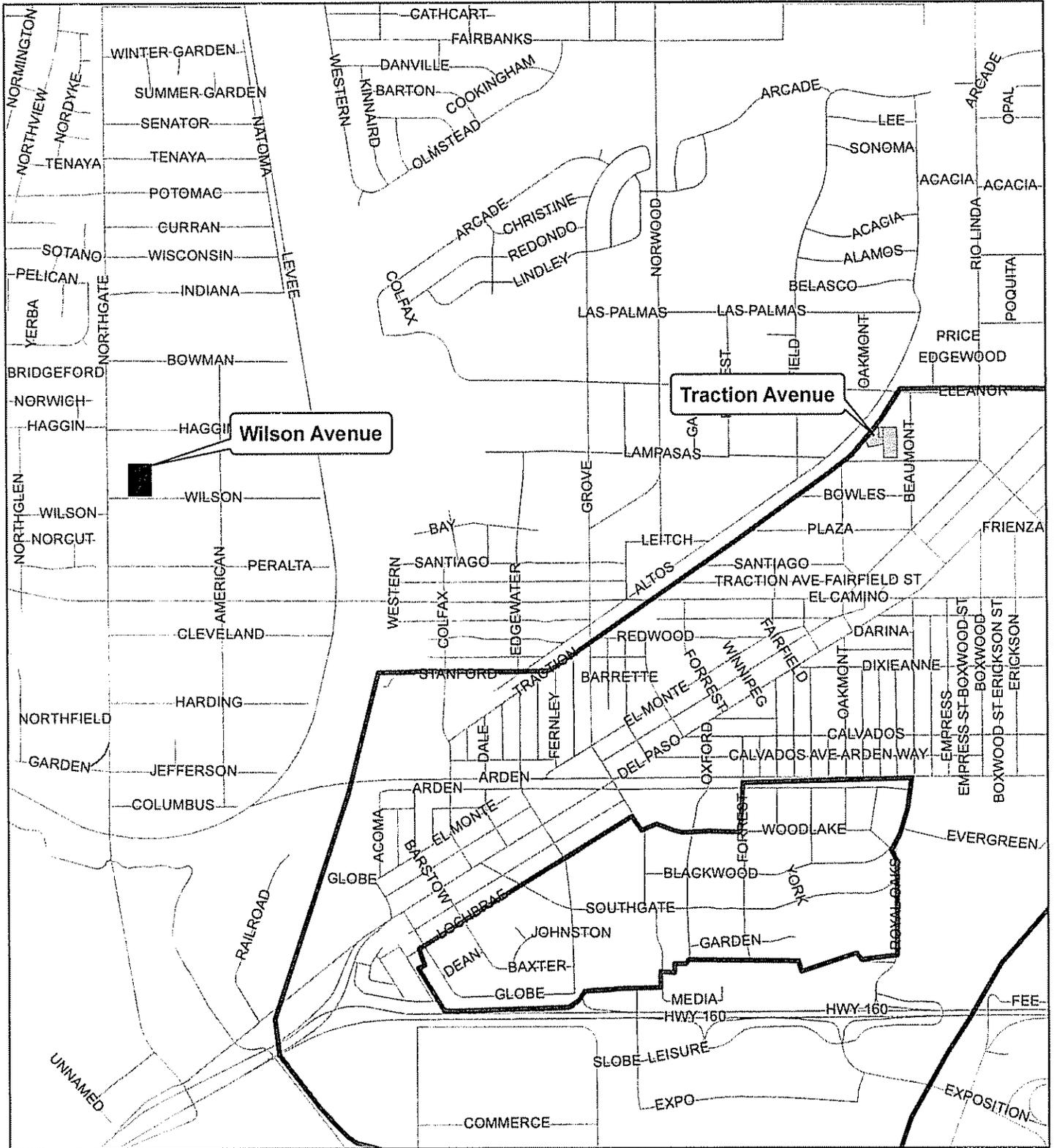
Recommendation Approved:


ROBERT P. THOMAS
City Manager

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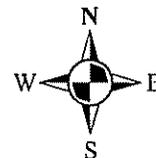


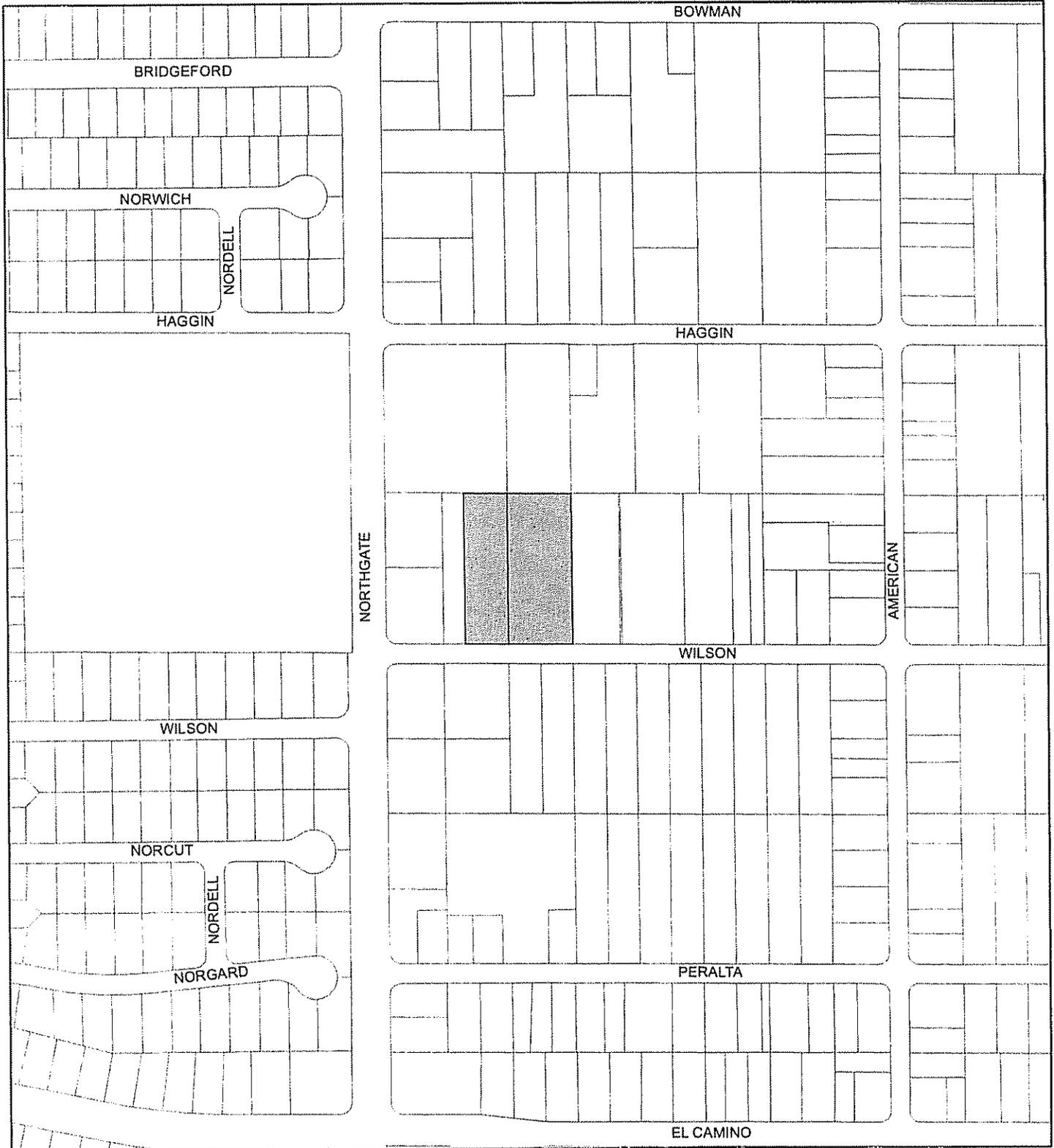
Summerfield Plaza Vicinity Map

Legend

-  North Sacramento RDA
-  521 Wilson Avenue
-  2624 Traction Avenue

0 500 1,000 1,500 2,000
Feet





521 Wilson Avenue Site Map

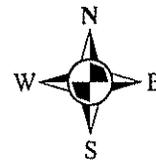
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Legend

 Subject Site

0 100 200 300 400
 Feet





2624 Traction Avenue Site Map

GA

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Legend

-  Subject Site
 -  North Sacramento RDA
- 0 75 150 225 300
Feet



Maximum Rent and Income Restrictions

Mortgage Revenue Bond Program

Summerfield Plaza Apartments

Project-based HAP (Section 8) contract requires all tenants to be at or below 50% of Area Median Income (AMI)

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

<u>Proposed HAP (Section 8) Rents***</u>	
<u>Unit Size</u>	<u>Net Rent</u>
Studio	\$785
1 Bedroom	\$906
2 Bedroom	\$983

*** Under Section 8, tenant pays 30% of income only.
Balance of rent paid by voucher.

RESOLUTION NO. 2005 -

Adopted by the Housing Authority of the City of Sacramento

INTENT TO ISSUE TAX EXEMPT BONDS FOR THE SUMMERFIELD PLAZA APARTMENTS PROJECT

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 \$4,500,000 (the "Obligations") for the purpose, among other things, of making a loan to Summerfield Village Apartments, L.P., or a limited liability company or limited partnership related to or formed by National Church Residences ("Developer"), the proceeds of which shall be used by the Developer to finance the acquisition and rehabilitation of a 40-unit multifamily housing facility located at 2624 Traction Avenue and 521 Wilson Avenue, Sacramento, California and to be commonly known as the Summerfield Plaza Apartments (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; and
- C. It is in the public interest and for the public benefit that the 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 Authority intends to issue the Obligations for the purpose of paying the costs of financing the acquisition and rehabilitation of the Project.
- Section 2. The 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 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 rehabilitation of the Project that are paid before the date of initial execution and delivery of the Obligations is not to exceed \$4,500,000.

- Section 4. The foregoing declaration is consistent with the budgetary and financial circumstances of the 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 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 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 Authority.
- Section 6. The law firm of Jones Hall, A Professional Law Corporation, is hereby named as bond counsel to the Authority in connection with the issuance of the Obligations. The fees and expense of bond counsel and any financial advisor employed by the Authority in connection with the issuance of the Obligations are to be paid solely from the proceeds of the Obligations or directly by the Developer.
- Section 7. The appropriate officers or staff of the Authority are hereby authorized, for and in the name of and on behalf of the 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 8. The adoption of this Resolution shall not obligate (i) the Authority to provide financing to the Developer for the acquisition and rehabilitation of the Project or to issue the Obligations for purposes of such financing; or (ii) the Authority, or any department of the 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, rehabilitation or operation of the Project.
- Section 9. This resolution shall take effect immediately upon its adoption.

RESOLUTION NO. 2005 -

Adopted by the Sacramento City Council

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 a principal amount not to exceed \$4,500,000 (the "Obligations") for the purpose, among other things, of making a loan to Summerfield Village Apartments, L.P., or a limited liability company or limited partnership related to or formed by National Church Residences ("Developer"), the proceeds of which shall be used by the Developer to finance the acquisition and rehabilitation of a 40-unit multifamily housing facility located at 2624 Traction Avenue and 521 Wilson Avenue, Sacramento, California and to be commonly known as the Summerfield Plaza Apartments (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 and development of multifamily rental housing facilities to be occupied in part by low and 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 of Sacramento.
- 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 rehabilitation of the Project.
- H. WHEREAS, 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.