



REPORT TO CITY COUNCIL AND HOUSING AUTHORITY

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

PUBLIC HEARING
January 31, 2006

Honorable Mayor and
Members of the City Council and Members of the Board

Subject: APPROVAL OF ISSUANCE OF TAX-EXEMPT BONDS FOR VINTAGE AT
NATOMAS FIELD APARTMENTS

Location/Council District: Arena Boulevard and East Commerce Way, District 1

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 \$15,000,000 in tax-exempt mortgage revenue bonds to provide acquisition, construction, and permanent financing for the Vintage at Natomas Field Apartments;
- authorize an application to the California Debt Limit Allocation Committee (CDLAC) for authority to issue the bonds; and
- indicate that the City Council has conducted a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing related to the proposed acquisition, construction, and permanent financing of the project.

Contact: Christine Weichert, Interim Director of Development Services, 440-1353
Emily Halcon, Housing Finance Analyst, 440-1399 x1420

Presenters: Emily Halcon, Housing Finance Analyst

Department: Sacramento Housing and Redevelopment Agency

Summary: This report recommends the use of tax-exempt mortgage revenue bonds to provide acquisition, construction, and permanent financing for the Vintage at Natomas Field Apartments to a partnership affiliated with USA Properties Fund, Inc. 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 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 January 18, 2006 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, Gore, Hoag, Platkowski, Shah, Simon, Stivers.

NOES: None.

ABSENT: None.

Background Information: USA Properties Fund, Inc., a local affordable housing developer ("Developer"), has requested issuance of up to \$15 million in tax-exempt mortgage revenue bonds for acquisition and construction of the 200-unit Vintage at Natomas Field Apartments. Vicinity and site maps are included as Attachments A and B, respectively.

Description of Development: Vintage at Natomas Field Apartments is a proposed 200 unit, age restricted, apartment complex located within the Beazer Home master planned community of Natomas Field. The apartment complex is being built to partially satisfy the mixed income housing requirement of three Beazer Home projects: Natomas Field, Machado and Riverdale 5, 6 and 7. The project is located on a 9 acre parcel at the southeast corner of Arena Boulevard and East Commerce Way within the Natomas Field planned unit development.

The project will include 153 very low income and 47 low income units dispersed among 11 two and three story residential buildings. The units will be a mix of one and two bedroom units ranging in size from 595 square feet to 777 square feet. Buildings will be wood frame construction with a mixture of stucco and hardiplank siding, concrete shingle roofing and double paned windows. The site will also include a 3,900 square foot community center which will contain a gathering room, library with computer lab, kitchen, mail center and laundry room. The site will be professionally landscaped and include a swimming pool, spa, patio area and a community garden. There will be 200 covered parking spaces on site for residents, plus an additional 29 spaces of guest parking. A site plan and sample elevations are included as Attachments C and D, respectively.

Developer: USA Properties Fund, Inc, a privately owned real estate and development organization based in Roseville, has been in operation since 1981. Since 1985, the developer has developed and constructed or rehabilitated over 48 multi-family projects including over 6,500 units. Recent projects completed by the developer in the Sacramento region include Terracina Gold Apartments (280 units), Terracina Meadows Apartments (156 units), Vintage Willow Creek Senior Apartments (184 units), Silverado Creek Apartment (168 units) and Creekside Village Senior Apartments (296 units). USA

USA Properties Fund will partner with the non-profit Riverside Charitable Corporation, based in Orange, California, to provide on-site resident services. Riverside is an experienced operator of affordable housing, and is a partner in several affordable projects in Sacramento. As a condition of this financing, Riverside will be required to submit a complete social services plan for Agency approval detailing the scope and schedule of services provided.

Property Management: USA Properties Fund, Inc. retains ownership of its developments with the management undertaken by its subsidiary USA Multi-Family Management. USA Multi-Family Management currently manages all of the properties owned by USA Properties Fund, Inc. Agency staff has thoroughly reviewed the management plan, including daily operations, leasing procedures, maintenance, and eviction procedures, and has found that the proposed management company meets all Agency requirements for property management.

Project Financing: The developer has proposed to finance the Vintage at Natomas Field Apartments through the issuance of tax-exempt mortgage revenue bonds, low income housing tax credits, and a developer contribution in the form of a deferred fee note. In addition, the master developer, Beazer Homes, is contributing the land at no cost and providing additional subsidy for the construction of the project. A project summary, including a proposed sources and uses of funds, is included as Attachment E, and a project cash flow proforma is included as Attachment F. A schedule of maximum rents and incomes is included as Attachment G.

This report recommends the approval of issuance of up to \$15 million in tax-exempt mortgage revenue bonds, to be used in conjunction with four percent low income housing tax credits, to finance the acquisition and construction of the Vintage at Natomas Field Apartments. The bonds will be privately placed through Union Bank. 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's units are rented to households at or below 50 percent of Area Income (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 75 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 construction 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 H and I, 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 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 bond financing is exempt under Section 15310. 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.

Vintage at Natomas Field is also meeting the mixed income housing requirements of three Beazer Home projects, subject to Sacramento City Code 17.190. 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: The items discussed in this report have no M/WBE impact; therefore, M/WBE considerations do not apply.

Respectfully Submitted by: 
ANNE M. MOORE
Executive Director

Recommendation Approved:

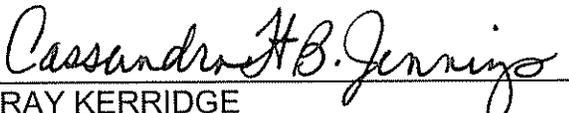
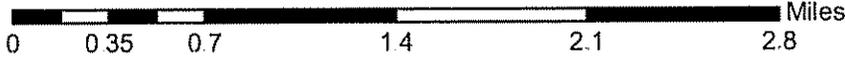
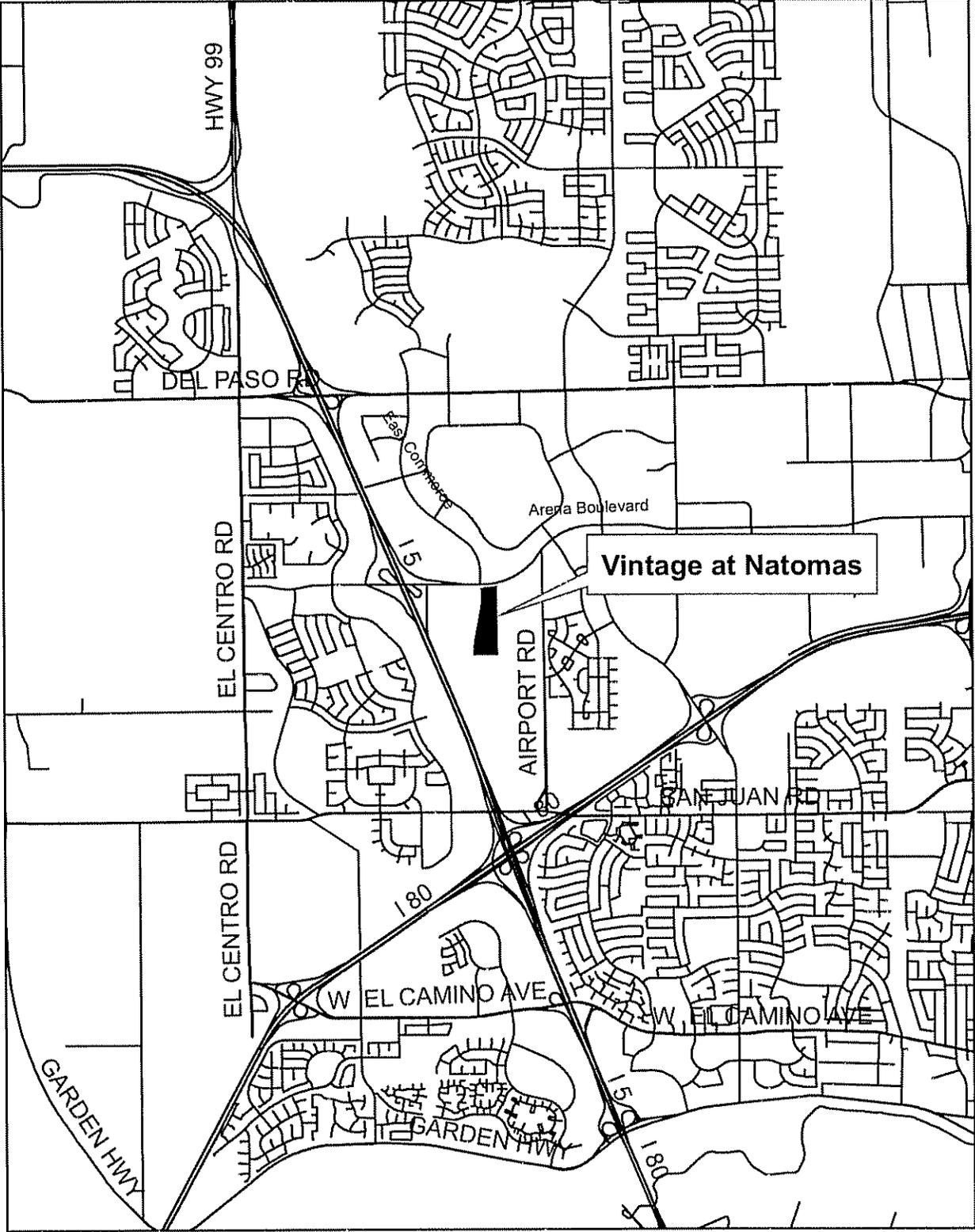

RAY KERRIDGE
Interim City Manager

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Page 12	Attachment G:	Maximum Rent and Income Restrictions
Page 13-14	Attachment H:	Housing Authority Inducement Resolution
Page 15-16	Attachment I:	City Council TEFRA Resolution

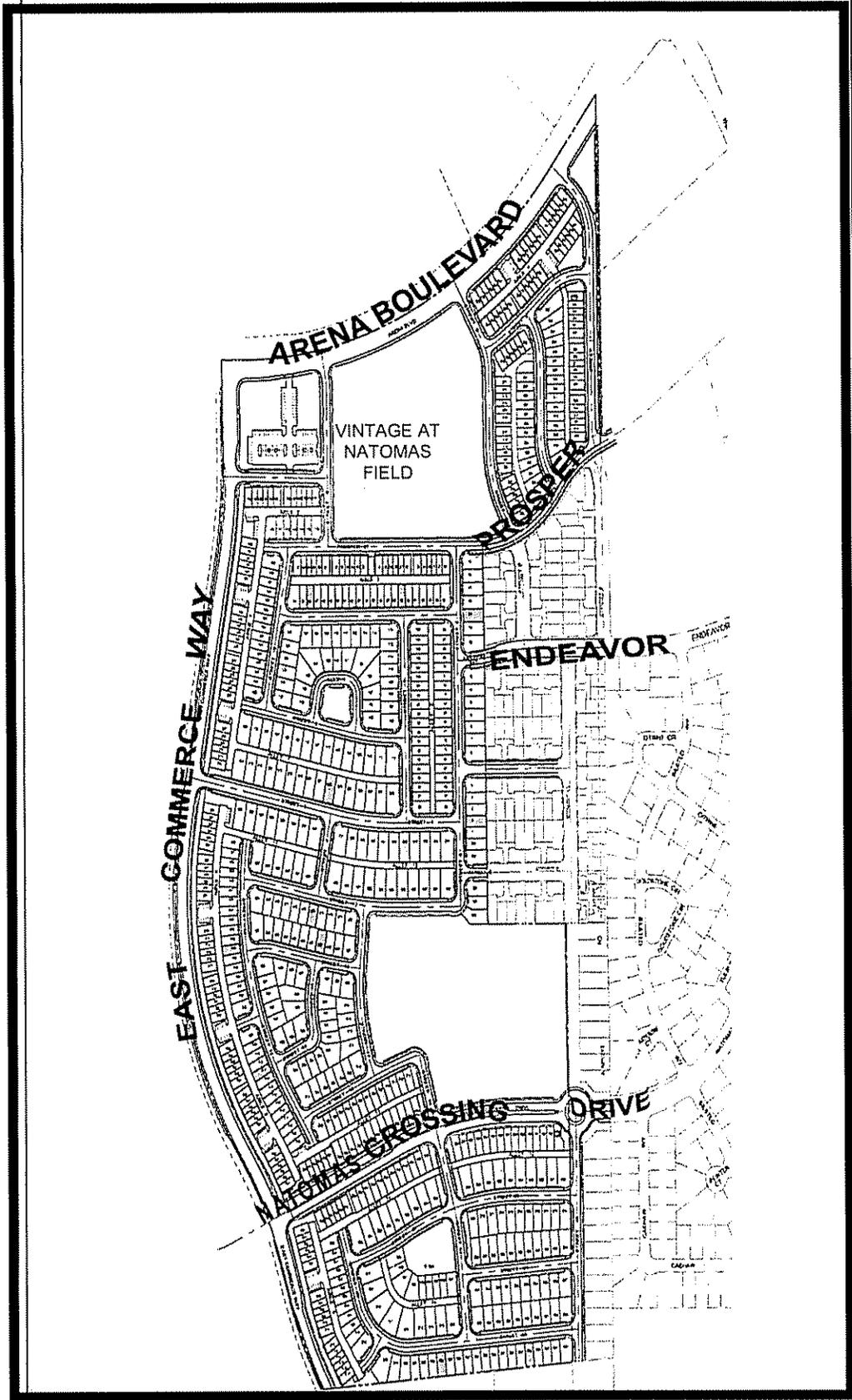
Vintage at Natomas Field Apartments

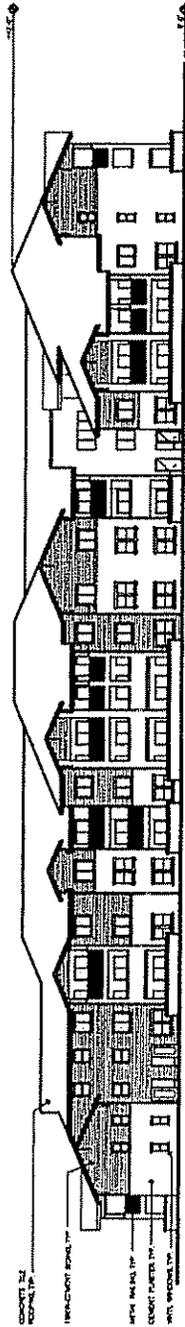


Legend

-  Vintage at Natomas
-  Major Roads
-  Parcels
-  Streets







SOUTH ELEVATION



NORTH ELEVATION
80 UNIT APARTMENT BUILDING

VINTAGE AT NATOMAS FIELD
AFFORDABLE HOUSING
SACRAMENTO, CALIFORNIA

USA
PROPERTIES FUND

EXTERIOR ELEVATIONS

A3.1



Project Summary

Vintage at Natomas Field Apartments																																																																																	
<u>Address</u> <u>Number of Units</u> <u>Year Built</u> <u>Acreage</u>	Southeast corner of Arena Boulevard and East Commerce Way 200 New Construction 9 gross acres																																																																																
<u>Affordability</u>	153 units (77%) at or below 50% of median 47 units (23%) at or below 60% of median																																																																																
<u>Unit Mix and Gross Rents</u>	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;"><u>Bond/Inclusionary (50% AMI)</u></th> <th style="text-align: center;"><u>Tax Credit/Inclusionary (60% AMI)</u></th> </tr> </thead> <tbody> <tr> <td>1-Bedroom / 1-Bath</td> <td style="text-align: center;">109 @ \$601</td> <td style="text-align: center;">26 @ \$721</td> </tr> <tr> <td>2-Bedroom / 1-Bath</td> <td style="text-align: center;">44 @ \$721</td> <td style="text-align: center;">21 @ \$865</td> </tr> <tr> <td style="text-align: right;">Total</td> <td style="text-align: center;">153</td> <td style="text-align: center;">47</td> </tr> </tbody> </table>		<u>Bond/Inclusionary (50% AMI)</u>	<u>Tax Credit/Inclusionary (60% AMI)</u>	1-Bedroom / 1-Bath	109 @ \$601	26 @ \$721	2-Bedroom / 1-Bath	44 @ \$721	21 @ \$865	Total	153	47																																																																				
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<u>Square Footage</u>	1-Bedroom / 1-Bath 592 s.f. (average) 2-Bedroom / 1-Bath 782 s.f. (average) Total 151,783 Excluding Common Areas 173,380 Including Common Areas																																																																																
<u>Resident Facilities</u>	Community room with laundry facilities, kitchen, computer lab and mail room. Site amenities include a pool, spa, patio area and community garden.																																																																																
<u>Permanent Sources and Uses</u>	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Sources</u></th> <th style="text-align: center;"><u>Total</u></th> <th style="text-align: center;"><u>Per Unit</u></th> <th style="text-align: center;"><u>Per Sq. Ft.</u></th> </tr> </thead> <tbody> <tr> <td>Tax-Exempt Bonds: \$</td> <td style="text-align: right;">8,830,000</td> <td style="text-align: right;">\$ 44,150</td> <td style="text-align: right;">\$ 50.93</td> </tr> <tr> <td>Tax Credit Equity: \$</td> <td style="text-align: right;">10,941,104</td> <td style="text-align: right;">\$ 54,706</td> <td style="text-align: right;">\$ 63.10</td> </tr> <tr> <td>Inclusionary Fee Waivers \$</td> <td style="text-align: right;">400,000</td> <td style="text-align: right;">\$ 2,000</td> <td style="text-align: right;">\$ 2.31</td> </tr> <tr> <td>Land Seller Contribution \$</td> <td style="text-align: right;">4,756,961</td> <td style="text-align: right;">\$ 23,785</td> <td style="text-align: right;">\$ 27.44</td> </tr> <tr> <td>Deferred Developer Fee: \$</td> <td style="text-align: right;">1,400,000</td> <td style="text-align: right;">\$ 7,000</td> <td style="text-align: right;">\$ 8.07</td> </tr> <tr> <td>Total Sources of Funds: \$</td> <td style="text-align: right;">\$ 26,328,065</td> <td style="text-align: right;">\$ 131,640</td> <td style="text-align: right;">\$ 151.85</td> </tr> <tr> <th style="text-align: left;"><u>Uses</u></th> <th style="text-align: center;"><u>Total</u></th> <th style="text-align: center;"><u>Per Unit</u></th> <th style="text-align: center;"><u>Per Sq. Ft.</u></th> </tr> <tr> <td>Site Work \$</td> <td style="text-align: right;">3,105,829</td> <td style="text-align: right;">\$ 15,529</td> <td style="text-align: right;">\$ 17.91</td> </tr> <tr> <td>Construction Costs \$</td> <td style="text-align: right;">13,387,099</td> <td style="text-align: right;">\$ 66,935</td> <td style="text-align: right;">\$ 77.21</td> </tr> <tr> <td>Contractor Overhead & Profit \$</td> <td style="text-align: right;">864,715</td> <td style="text-align: right;">\$ 4,324</td> <td style="text-align: right;">\$ 4.99</td> </tr> <tr> <td>Architecture and Engineering \$</td> <td style="text-align: right;">640,000</td> <td style="text-align: right;">\$ 3,200</td> <td style="text-align: right;">\$ 3.69</td> </tr> <tr> <td>Financing Costs, Taxes & Insurance \$</td> <td style="text-align: right;">1,186,611</td> <td style="text-align: right;">\$ 5,933</td> <td style="text-align: right;">\$ 6.84</td> </tr> <tr> <td>Rent and Operating Reserves \$</td> <td style="text-align: right;">349,528</td> <td style="text-align: right;">\$ 1,748</td> <td style="text-align: right;">\$ 2.02</td> </tr> <tr> <td>Bond Payoff \$</td> <td style="text-align: right;">590,000</td> <td style="text-align: right;">\$ 2,950</td> <td style="text-align: right;">\$ 3.40</td> </tr> <tr> <td>Development Impact Fees \$</td> <td style="text-align: right;">3,500,000</td> <td style="text-align: right;">\$ 17,500</td> <td style="text-align: right;">\$ 20.19</td> </tr> <tr> <td>Contingency \$</td> <td style="text-align: right;">801,365</td> <td style="text-align: right;">\$ 4,007</td> <td style="text-align: right;">\$ 4.62</td> </tr> <tr> <td>Other Costs \$</td> <td style="text-align: right;">502,918</td> <td style="text-align: right;">\$ 2,515</td> <td style="text-align: right;">\$ 2.90</td> </tr> <tr> <td>Developer Fee: \$</td> <td style="text-align: right;">1,400,000</td> <td style="text-align: right;">\$ 7,000</td> <td style="text-align: right;">\$ 8.07</td> </tr> <tr> <td>Total Uses of Funds: \$</td> <td style="text-align: right;">\$ 26,328,065</td> <td style="text-align: right;">\$ 131,640</td> <td style="text-align: right;">\$ 151.85</td> </tr> </tbody> </table>	<u>Sources</u>	<u>Total</u>	<u>Per Unit</u>	<u>Per Sq. Ft.</u>	Tax-Exempt Bonds: \$	8,830,000	\$ 44,150	\$ 50.93	Tax Credit Equity: \$	10,941,104	\$ 54,706	\$ 63.10	Inclusionary Fee Waivers \$	400,000	\$ 2,000	\$ 2.31	Land Seller Contribution \$	4,756,961	\$ 23,785	\$ 27.44	Deferred Developer Fee: \$	1,400,000	\$ 7,000	\$ 8.07	Total Sources of Funds: \$	\$ 26,328,065	\$ 131,640	\$ 151.85	<u>Uses</u>	<u>Total</u>	<u>Per Unit</u>	<u>Per Sq. Ft.</u>	Site Work \$	3,105,829	\$ 15,529	\$ 17.91	Construction Costs \$	13,387,099	\$ 66,935	\$ 77.21	Contractor Overhead & Profit \$	864,715	\$ 4,324	\$ 4.99	Architecture and Engineering \$	640,000	\$ 3,200	\$ 3.69	Financing Costs, Taxes & Insurance \$	1,186,611	\$ 5,933	\$ 6.84	Rent and Operating Reserves \$	349,528	\$ 1,748	\$ 2.02	Bond Payoff \$	590,000	\$ 2,950	\$ 3.40	Development Impact Fees \$	3,500,000	\$ 17,500	\$ 20.19	Contingency \$	801,365	\$ 4,007	\$ 4.62	Other Costs \$	502,918	\$ 2,515	\$ 2.90	Developer Fee: \$	1,400,000	\$ 7,000	\$ 8.07	Total Uses of Funds: \$	\$ 26,328,065	\$ 131,640	\$ 151.85
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<u>Management - Operations</u>	Proposed Developer: USA Properties Fund, Inc Property Management Company: USA Multi Family Management Operations Budget: \$ 580,044 \$ 2.900 (Stabilized, excl. taxes and reserves) Replacement Reserves: \$ 50,000 \$ 250 (Set-aside per year)																																																																																

Vintage and Natomas Field Senior Apartments
30 Year Cash Flow Proforma

Number	Avg. Net Sq. Feet	Total Sq. Feet	Monthly Gross Rent	Rent Per Sq. Foot	Monthly Utility All.	Monthly Net Rent	2005 Annual Rent													
							Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 10	Year 15	Year 20	Year 25	Year 30			
1 BR/1 BA - 50% AMI	109	64,528	\$601	\$1.02	\$48	\$553	\$723,324													
1 BR/1 BA - 60% AMI	26	15,392	\$721	\$1.22	\$48	\$673	\$209,976													
2 BR/1 BA - LHR	0	1,075	\$721	\$0.67	\$64	\$657	\$0													
2 BR/1 BA - 50% AMI	44	33,352	\$721	\$0.95	\$64	\$657	\$346,896													
2 BR/1 BA - 60% AMI	21	758	\$865	\$1.14	\$64	\$801	\$201,852													
Total/Average	200	129,795	\$671	\$1.04	\$53	\$618	\$1,482,048													
Construction																				
		2006	2007	2008	2009	2010	2011	2015	2020	2025	2030	2035								
	Per Unit	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 10	Year 15	Year 20	Year 25	Year 30								
Annualized Gross Income	\$	7,785	\$ 1,557,077	1,596,004	1,635,904	1,676,801	1,718,721	1,897,147	2,146,447	2,428,508	2,747,634	3,108,696								
Other Income	\$	126	\$ -	25,845	26,492	27,154	27,833	30,722	34,759	39,327	44,495	50,342								
Less: Vacancy/Concessions	\$	(396)	\$ (79,115)	(81,092)	(83,120)	(85,198)	(87,328)	(96,393)	(109,060)	(123,392)	(139,606)	(157,952)								
Effective Gross Income	\$	7,516	\$ 1,503,177	1,540,757	1,579,275	1,618,757	1,659,226	1,831,475	2,072,146	2,344,443	2,652,522	3,001,086								
Expenses																				
		2006	2007	2008	2009	2010	2011	2015	2020	2025	2030	2035								
Gen. Operating Expenses	\$	3,107	\$621,311	\$639,930	\$659,148	\$678,923	\$699,290	\$787,058	\$912,415	\$1,057,740	\$1,226,210	\$1,421,513								
Social Services	\$	64	\$12,855	\$13,240	\$13,638	\$14,047	\$14,468	\$16,284	\$18,878	\$21,884	\$25,370	\$29,411								
Taxes and PILOT Fee	\$	3260	\$52,020	\$53,060	\$54,122	\$55,204	\$56,308	\$60,950	\$67,293	\$74,297	\$82,030	\$90,568								
Reserves	\$	3250	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000								
TOTAL EXPENSES	\$	7,747	\$736,185	\$756,251	\$776,907	\$798,173	\$820,067	\$914,291	\$1,048,586	\$1,203,921	\$1,383,610	\$1,591,492								
Net Operating Income	\$	-	\$ 766,992	\$ 784,506	\$ 802,368	\$ 820,584	\$ 839,160	\$ 917,184	\$ 1,023,560	\$ 1,140,522	\$ 1,268,912	\$ 1,409,593								
TOTAL NET INCOME	\$	-	\$ 766,992	\$ 784,506	\$ 802,368	\$ 820,584	\$ 839,160	\$ 917,184	\$ 1,023,560	\$ 1,140,522	\$ 1,268,912	\$ 1,409,593								
Senior Debt Service	\$	30	\$ (554,195)	\$ (554,195)	\$ (554,195)	\$ (554,195)	\$ (554,195)	\$ (554,195)	\$ (554,195)	\$ (554,195)	\$ (554,195)	\$ (554,195)								
DCR - Senior Debt Service			1.29	1.32	1.35	1.38	1.41	1.54	1.72	1.92	2.14	2.37								
Deferred Developer Fee	\$	13	\$ (87,856)	\$ (99,798)	\$ (111,866)	\$ (124,058)	\$ (136,370)	\$ (186,750)												
Cash Flow Available After Debt Service	\$	-	\$ 84,940	\$ 90,512	\$ 96,306	\$ 102,330	\$ 108,594	\$ 136,239	\$ 429,364	\$ 546,327	\$ 674,717	\$ 815,398								

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	\$ 22,450
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)

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

Inclusionary Housing

(Rents @ 50% and 60% of AMI)

Maximum Income Limits:		
	50% AMI	60% AMI
<u>Family Size</u>	<u>Max. Income</u>	<u>Max. Income</u>
1 person	\$ 22,450	\$ 35,900
2 person	\$ 25,650	\$ 41,000
3 person	\$ 28,850	\$ 46,150
4 person	\$ 32,050	\$ 51,300
5 person	\$ 34,600	\$ 55,400

Maximum Rent Limits:		
<u>Unit Size</u>	<u>Gross Rent</u>	<u>Gross Rent</u>
1 Bedroom	\$ 641	\$ 1,025
2 Bedroom	\$ 721	\$ 1,154
3 Bedroom	\$ 801	\$ 1,283

RESOLUTION NO. - _____

ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

ON DATE OF

**INTENT TO ISSUE TAX EXEMPT BONDS FOR THE VINTAGE NATOMAS
APARTMENT 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 \$15,000,000 (the "Obligations") for the purpose, among other things, of making a loan to Natomas Field Senior Apartments, LP, a California limited partnership, or a limited partnership or limited liability company related to or formed by USA Properties Fund, Inc. ("Developer"), the proceeds of which shall be used by the Developer to finance the acquisition and construction of a 200-unit multifamily senior housing facility to be located at the Southeast corner of Arena Boulevard and East Commerce Way, Sacramento, California and to be commonly known as the Vintage at Natomas Field 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 construction 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 construction 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 of the Project that are paid before the date of initial execution and delivery of the Obligations is not to exceed \$15,000,000.
- 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 construction 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 construction 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, construction or operation of the Project.
- Section 9. This resolution shall take effect immediately upon its adoption.

RESOLUTION NO. _____

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY
OF SACRAMENTO 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 \$15,000,000 (the "Obligations") for the purpose, among other things, of making a loan to Natomas Field Senior Apartments, LP, a California limited partnership, or a limited partnership or limited liability company related to or formed by USA Properties Fund, Inc. ("Developer"), the proceeds of which shall be used by the Developer to finance the acquisition and construction of a 200-unit multifamily senior housing facility to be located at the Southeast corner of Arena Boulevard and East Commerce Way, Sacramento, California and to be commonly known as the Vintage at Natomas Field Apartments (the "Project"); and
- 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; and
- 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; and
- D. This City Council is the elected legislative body of the City; and
- 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; and
- 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; and
- 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 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.

