



**Sacramento
Housing &
Redevelopment
Agency**

REPORT TO CITY COUNCIL AND HOUSING AUTHORITY

City of Sacramento

915 I Street, Sacramento, CA 95814-2671

www.CityofSacramento.org

PUBLIC HEARING

March 14, 2006

Honorable Mayor and
Members of the City Council

Subject: APPROVAL OF ISSUANCE OF TAX-EXEMPT BONDS FOR POINT
NATOMAS APARTMENTS

Location/Council District: 801 San Juan Road, 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 \$27,000,000 in tax-exempt mortgage revenue bonds to provide acquisition, rehabilitation, and permanent financing for the Point Natomas Apartments;
- Authorize an application to the California Debt Limit Allocation Committee (CDLAC) for authority to issue bonds;
- 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; and
- Authorize the Executive Director to execute all necessary documents associated with the transaction.

Contact: Christine Weichert, Interim Director of Development Services, 440-1353
Steve Lierly, Housing Finance Analyst, 440-1399 x 1256

Presenters: Steve Lierly, Housing Finance Analyst
Christine Weichert, Interim Director of Development Services

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 Point Natomas Apartments. 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.

APPROVAL OF ISSUANCE OF TAX-EXEMPT BONDS FOR POINT NATOMAS APARTMENTS

Committee/Commission Action: At its March 1, 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, Fowler, Gale, Gore, Hoag, Piatkowski, Shah, Simon, Stivers.

NOES: None.

ABSENT: Coriano.

Background Information: Wasatch Advantage Group, LLC ("Developer"), has requested issuance of up to \$27 million in tax-exempt mortgage revenue bonds for acquisition and rehabilitation of the 337-unit Point Natomas Apartments. Vicinity and site maps are included as Attachments A and B, respectively.

Description of Development: Point Natomas Apartments, built in 1987 as Rancho Natomas Apartments, consists of 30 wood framed apartment buildings containing 337 one and two bedroom apartments on 16.7 acres located at 801 San Juan Road in south Natomas. The project includes 82 one-bedroom units, and 255 two-bedroom units, ranging from approximately 655 to 875 square feet in size. The amenities include two pools and spas, two laundry rooms, a playground, sports court and club room. The property is fenced and the grounds are fully landscaped; there are 585 on-site parking spaces provided.

The property is currently owned by Wasatch Pool Holdings, LLC a Utah limited liability company. Wasatch Advantage Group, LLC, holds an option to purchase the property subject to securing the necessary financing in the form of bonds and low-income housing tax credits. The property currently supports bonds in the amount of \$12 million issued by the Housing Authority in 1985. The current affordability restrictions are 10 percent at 50 percent Area Median Income (AMI) or 34 units and 10 percent at 60 percent AMI (34 units). These restrictions are due to expire in 2016.

The Developer is proposing to invest approximately \$5.2 million (\$15,400 per unit) to improve the site and rehabilitate the exterior and interior of the facility. Site work will include improvements to the irrigation system, fencing, landscaping, cement walk ways and asphalt. Exterior work will include replacement of all siding, residential windows, new paint and the addition of security cameras. The roofing is being replaced by the current owner as a condition of the sale. Apartment interiors will be improved as needed with electrical, plumbing and counter top upgrades, replacement of appliances and cabinet doors. Handicapped-designated units will be modified to be fully compliant with current ADA requirements. Additionally, either the leasing office or a former racquet ball building will be remodeled for the provision of community services. The improvements will bring the property up to current market standards.

APPROVAL OF ISSUANCE OF TAX-EXEMPT BONDS FOR POINT NATOMAS APARTMENTS

The Agency is proposing to issue up to \$27 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 20 percent of the units (67 units) to be affordable by individuals earning 50 percent or less of AMI, and the remaining 80 percent of the units (270) units to be affordable by individuals earning 60 percent or less of AMI, for a period of 55 years.

The conversion of this property from 20 percent affordable to 100 percent affordable means that there may be tenants permanently displaced because they exceed the future income requirements. Although the project is not legally required to adhere to the Uniform Relocation Act or Title 25 of Housing and Community Development (California Code of Regulations) the developers have agreed to budget \$100,000 and adopt certain measures to assist displaced tenants in relocation. Leases for over qualified tenants will continue until their current leases expire and all new tenants will be income qualified prior to lease up. Steps to assist displaced tenants will include identifying new housing and assistance with moving expenses and rental deposits.

Developer: Wasatch Advantage Group, LLC, is a newly formed company focusing on the development of affordable housing utilizing tax credits and tax exempt bonds to finance its communities. The principle partners of the company are Mr. Kipling S. Sheppard and Mr. Dell Loy Hansen who together have considerable experience in the acquisition, financing, development and construction of residential and commercial properties. Wasatch Advantage is currently developing six properties in the western United States containing 1,320 units. Mr. Sheppard has an ownership interest in 18 properties containing 2,389 units in California and Mr. Hansen has an ownership interest in 10 properties containing 2,220 units in California. Wasatch Advantage Group is located in Mission Viejo, California.

Western Community Housing, Inc. (WCH) a non-profit affordable housing corporation will be the Managing General Partner. Western Community Housing formerly known as Western Services Foundation, Inc., was founded in 1999 to promote affordable housing and to provide social services to low-income individuals and will be providing its life skills training and educational programs (Life STEPS) to the community residents. Since 2002, WCH has been investing in affordable housing communities primarily located in California. WCH currently has an ownership interest in 34 affordable housing communities with 2,341 units in operation and another 757 units in development.

Property Management: The property is currently managed by Wasatch Property Management, Inc. After the close of escrow the property will be managed by FPI Management, Inc., an established Sacramento-based property management firm that is experienced in the operation of affordable apartment communities.

Project Financing: 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.

APPROVAL OF ISSUANCE OF TAX-EXEMPT BONDS FOR POINT NATOMAS APARTMENTS

This report recommends the approval of issuance of up to \$27 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 Point Natomas Apartments. The initial bond funding will be limited to \$55,000 in order to comply with federal tax law. The remaining bond funds will be placed in a Guaranteed Investment Contract (GIC) until March of 2007. The 1985 bonds in the amount of \$12 million that currently finance the property are subject to a 10 year hold which cannot be redeemed until March of 2007. During this interim the developer will be completing the rehabilitation of the property. Upon completion of improvements and after March 1, 2007, the new bonds will be privately placed with GMAC Commercial Mortgage Corporation. The \$27 million will be used to redeem the 1985 bonds of \$12 million, take out any construction loans and become permanent financing. The Agency will report back to the Housing Authority on the actual bond amounts, the Limited Partner, and social services plan 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 deeper affordability terms be required of projects in Sacramento. For this project, at least 20 percent of the units will be occupied by families at 50 percent or less of AMI and 80 percent of the units will be occupied by families at 60 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

March 14, 2006

APPROVAL OF ISSUANCE OF TAX-EXEMPT BONDS FOR POINT NATOMAS APARTMENTS

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 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:

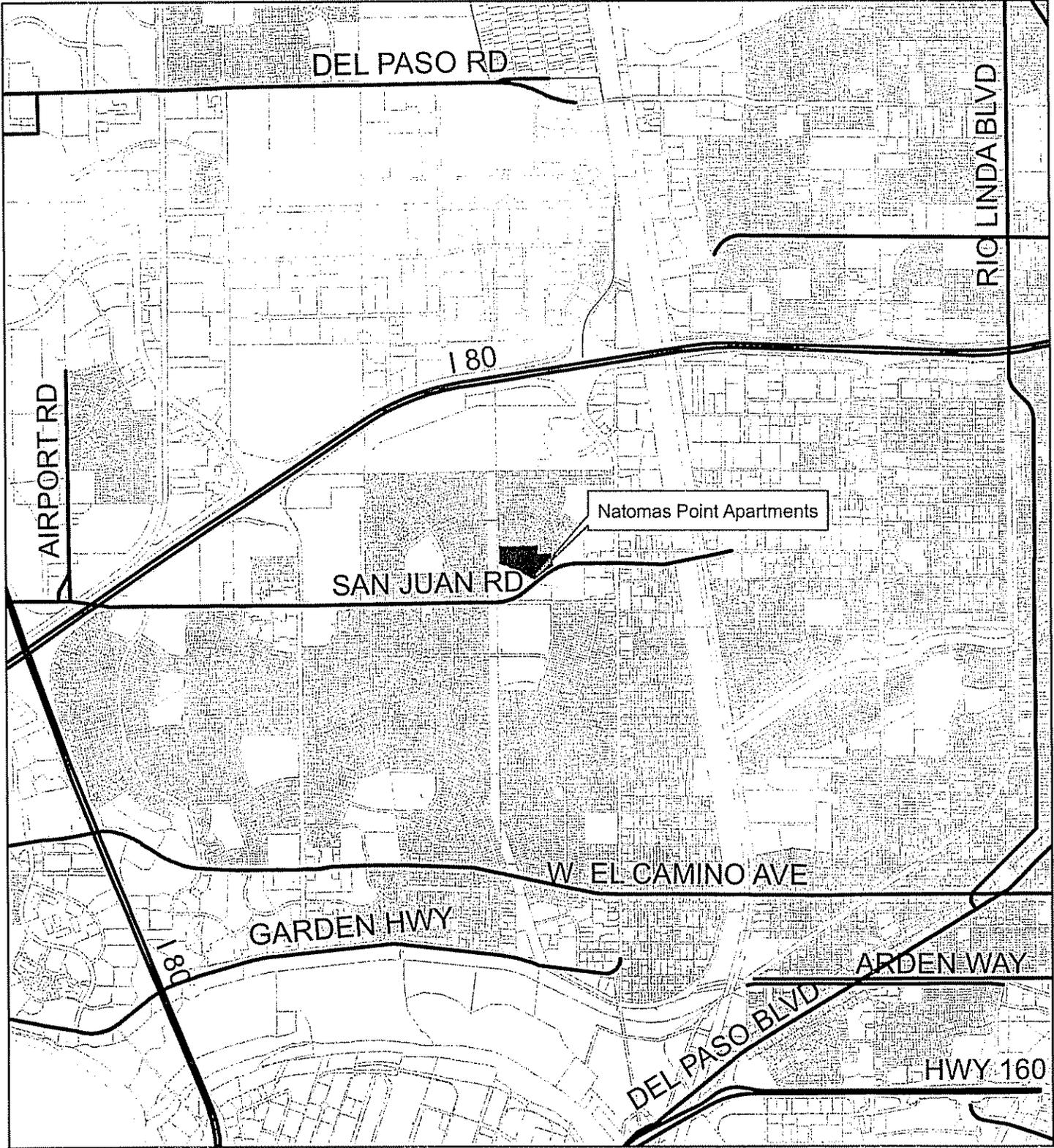

for RAY KERRIDGE
Interim City Manager

APPROVAL OF ISSUANCE OF TAX-EXEMPT BONDS FOR POINT NATOMAS APARTMENTS

Table of Contents

Page 7	Attachment A: Point Natomas Apartments Vicinity Map
Page 8	Attachment B: Point Natomas Site Map
Page 9	Attachment C: Project Summary
Page 10	Attachment D: Project Cash Flow Proforma
Page 11	Attachment E: Rent and Income Restrictions
Page 12	Housing Authority Inducement Resolution
Page 15	City Council TEFRA Resolution

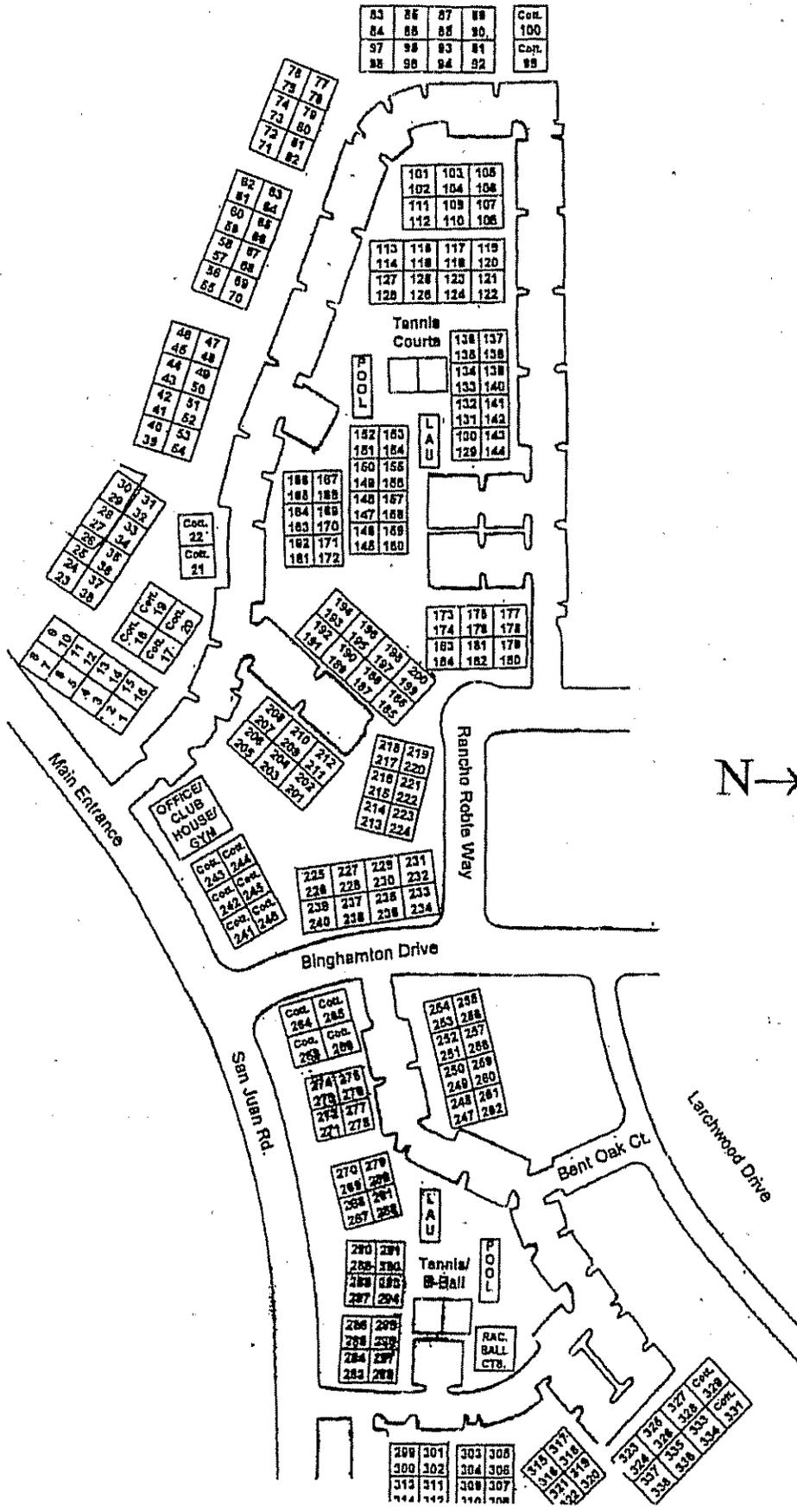
Point Natomas Apartments Vicinity Map



Legend

- Major Roads
- ▭ City of Sacramento
- ⋯ Parcels

SITE MAP POINT NATOMAS APARTMENTS



Project Summary

Point Natomas Apartments																																																	
Address	801 San Juan Road, Sacramento, CA																																																
Number of Units	337																																																
Year Built	1987																																																
Acreage	Total of 16.7 acres																																																
Affordability	68 units @ or below 50% of area median income 269 units @ or below 60% of area median income																																																
Unit Mix and Rents	<p><u>Proposed Net Rents After Deduction of Utility Allowance</u></p> <table> <thead> <tr> <th></th> <th>50% Median</th> <th>60% Median</th> </tr> </thead> <tbody> <tr> <td>1BR/1BA</td> <td>8 @ \$552</td> <td>74 @ \$672</td> </tr> <tr> <td>2BR/1BA</td> <td>60 @ \$663</td> <td>* 65 @ \$760</td> </tr> <tr> <td>2BR/2BA</td> <td></td> <td>130 @ \$807</td> </tr> </tbody> </table> <p>*(Reduced for market conditions)</p>		50% Median	60% Median	1BR/1BA	8 @ \$552	74 @ \$672	2BR/1BA	60 @ \$663	* 65 @ \$760	2BR/2BA		130 @ \$807																																				
	50% Median	60% Median																																															
1BR/1BA	8 @ \$552	74 @ \$672																																															
2BR/1BA	60 @ \$663	* 65 @ \$760																																															
2BR/2BA		130 @ \$807																																															
Square Footage	<table> <tbody> <tr> <td>1-Bedroom/ 1 Bath</td> <td>655 s.f. (Approx.)</td> </tr> <tr> <td>2-Bedroom/ 1 Bath</td> <td>765 s.f. (Approx.)</td> </tr> <tr> <td>2-Bedroom/ 2 Bath</td> <td>875 s.f. (Approx.)</td> </tr> <tr> <td>Total</td> <td>236,085 Excluding Common Areas</td> </tr> </tbody> </table>	1-Bedroom/ 1 Bath	655 s.f. (Approx.)	2-Bedroom/ 1 Bath	765 s.f. (Approx.)	2-Bedroom/ 2 Bath	875 s.f. (Approx.)	Total	236,085 Excluding Common Areas																																								
1-Bedroom/ 1 Bath	655 s.f. (Approx.)																																																
2-Bedroom/ 1 Bath	765 s.f. (Approx.)																																																
2-Bedroom/ 2 Bath	875 s.f. (Approx.)																																																
Total	236,085 Excluding Common Areas																																																
Resident Facilities	Leasing office/clubhouse; 2 laundry rooms; sport court; 2 playgrounds; 2 outdoor pools and spas; metal carports.																																																
Sources and Uses of Funds	<table> <thead> <tr> <th><u>Sources</u></th> <th><u>Total</u></th> <th><u>Per Unit</u></th> <th><u>Per Sq. Ft.</u></th> </tr> </thead> <tbody> <tr> <td>Tax-exempt Bonds:</td> <td>\$ 22,809,401</td> <td>\$ 67,684</td> <td>\$ 96.62</td> </tr> <tr> <td>Federal Tax Credit Equity:</td> <td>\$ 11,450,482</td> <td>\$ 33,978</td> <td>\$ 48.50</td> </tr> <tr> <td>Seller Note:</td> <td>\$ 2,000,000</td> <td>\$ 5,935</td> <td>\$ 8.47</td> </tr> <tr> <td>Deferred Developer Fee:</td> <td>\$ 1,373,944</td> <td>\$ 4,077</td> <td>\$ 5.82</td> </tr> <tr> <td>Total Sources of Funds:</td> <td>\$ 37,633,827</td> <td>\$ 111,673</td> <td>\$ 159.41</td> </tr> </tbody> </table> <table> <thead> <tr> <th><u>Uses</u></th> <th><u>Total</u></th> <th><u>Per Unit</u></th> <th><u>Per Sq. Ft.</u></th> </tr> </thead> <tbody> <tr> <td>Purchase price:</td> <td>\$ 29,500,000</td> <td>\$ 87,537</td> <td>\$ 124.95</td> </tr> <tr> <td>Rehabilitation Costs:</td> <td>\$ 5,215,194</td> <td>\$ 15,475</td> <td>\$ 22.09</td> </tr> <tr> <td>Indirect Costs:</td> <td>\$ 875,104</td> <td>\$ 2,597</td> <td>\$ 3.71</td> </tr> <tr> <td>Developer Fee:</td> <td>\$ 2,043,529</td> <td>\$ 6,064</td> <td>\$ 8.66</td> </tr> <tr> <td>Total Uses of Funds:</td> <td>\$ 37,633,827</td> <td>\$ 111,673</td> <td>\$ 159.41</td> </tr> </tbody> </table>	<u>Sources</u>	<u>Total</u>	<u>Per Unit</u>	<u>Per Sq. Ft.</u>	Tax-exempt Bonds:	\$ 22,809,401	\$ 67,684	\$ 96.62	Federal Tax Credit Equity:	\$ 11,450,482	\$ 33,978	\$ 48.50	Seller Note:	\$ 2,000,000	\$ 5,935	\$ 8.47	Deferred Developer Fee:	\$ 1,373,944	\$ 4,077	\$ 5.82	Total Sources of Funds:	\$ 37,633,827	\$ 111,673	\$ 159.41	<u>Uses</u>	<u>Total</u>	<u>Per Unit</u>	<u>Per Sq. Ft.</u>	Purchase price:	\$ 29,500,000	\$ 87,537	\$ 124.95	Rehabilitation Costs:	\$ 5,215,194	\$ 15,475	\$ 22.09	Indirect Costs:	\$ 875,104	\$ 2,597	\$ 3.71	Developer Fee:	\$ 2,043,529	\$ 6,064	\$ 8.66	Total Uses of Funds:	\$ 37,633,827	\$ 111,673	\$ 159.41
<u>Sources</u>	<u>Total</u>	<u>Per Unit</u>	<u>Per Sq. Ft.</u>																																														
Tax-exempt Bonds:	\$ 22,809,401	\$ 67,684	\$ 96.62																																														
Federal Tax Credit Equity:	\$ 11,450,482	\$ 33,978	\$ 48.50																																														
Seller Note:	\$ 2,000,000	\$ 5,935	\$ 8.47																																														
Deferred Developer Fee:	\$ 1,373,944	\$ 4,077	\$ 5.82																																														
Total Sources of Funds:	\$ 37,633,827	\$ 111,673	\$ 159.41																																														
<u>Uses</u>	<u>Total</u>	<u>Per Unit</u>	<u>Per Sq. Ft.</u>																																														
Purchase price:	\$ 29,500,000	\$ 87,537	\$ 124.95																																														
Rehabilitation Costs:	\$ 5,215,194	\$ 15,475	\$ 22.09																																														
Indirect Costs:	\$ 875,104	\$ 2,597	\$ 3.71																																														
Developer Fee:	\$ 2,043,529	\$ 6,064	\$ 8.66																																														
Total Uses of Funds:	\$ 37,633,827	\$ 111,673	\$ 159.41																																														
Management - Operations	<p>Proposed Developer: Wasatch Advantage Group, LLC</p> <p>Property Management Company: FPI Management Inc</p> <table> <tbody> <tr> <td>Operations Budget:</td> <td>\$ 1,119,858</td> <td>\$ 3.323 (Stabilized, excl taxes and reserves)</td> </tr> <tr> <td>Replacement Reserves:</td> <td>\$ 84,250</td> <td>\$ 250 (Set-aside per year)</td> </tr> </tbody> </table>	Operations Budget:	\$ 1,119,858	\$ 3.323 (Stabilized, excl taxes and reserves)	Replacement Reserves:	\$ 84,250	\$ 250 (Set-aside per year)																																										
Operations Budget:	\$ 1,119,858	\$ 3.323 (Stabilized, excl taxes and reserves)																																															
Replacement Reserves:	\$ 84,250	\$ 250 (Set-aside per year)																																															

Point Natomas Apartments
Cash Flow Proforma

Unit Type	Number	Approx. Sq. Feet	Total Sq. Feet	Year 1 2007	Year 2 2008	Year 3 2009	Year 4 2010	Year 5 2011	Year 6 2012	Year 7 2013	Year 8 2014	Year 9 2015	Year 10 2016	Year 11 2017	Year 12 2018	Year 13 2019	Year 14 2020	Year 15 2021	
1 Bedroom	8	655	5,240	\$ 601	\$ 49	\$ 562	\$ 0.64	\$ 52,002											
1 Bedroom	74	655	48,470	\$ 721	\$ 58	\$ 672	\$ 1.03	\$ 506,738											
2 Bedroom	60	765	45,900	\$ 721	\$ 58	\$ 663	\$ 0.87	\$ 477,360											
2 Bedroom	65	875	56,925	\$ 721	\$ 58	\$ 663	\$ 0.99	\$ 592,800											
2 Bedroom 2 Bath	130	875	113,750	\$ 805	\$ 58	\$ 807	\$ 0.92	\$ 1,258,020											
2 Bedroom 2 Bath	337	875	293,025																
Total																			
50% AMI																			
60% AMI																			
60% AMI																			
60% AMI																			
60% AMI																			
60% AMI																			
60% AMI																			
5.0%																			
Gross Potential Rent				\$ 2,078,058	\$ 2,053,278	\$ 2,129,010	\$ 2,207,850	\$ 2,286,047	\$ 2,370,248	\$ 2,454,504	\$ 2,544,504	\$ 2,634,504	\$ 2,724,504	\$ 2,814,504	\$ 2,904,504	\$ 2,994,504	\$ 3,084,504	\$ 3,174,504	
Other Income				149,028	153,300	157,200	161,133	165,104	169,200	173,523	178,067	182,807	187,715	192,781	198,005	203,389	208,924	214,618	
Vacancy/Concessions				(156,422)	(160,332)	(164,341)	(168,449)	(172,660)	(176,977)	(181,401)	(185,930)	(190,565)	(195,309)	(200,233)	(205,339)	(210,529)	(215,899)	(221,450)	
Effective Gross Residential Income				\$ 2,072,014	\$ 2,046,246	\$ 2,121,869	\$ 2,200,534	\$ 2,283,488	\$ 2,371,471	\$ 2,464,103	\$ 2,561,174	\$ 2,662,746	\$ 2,769,011	\$ 2,880,272	\$ 2,996,633	\$ 3,118,274	\$ 3,245,405	\$ 3,378,668	
Expenses																			
Operating Expenses				\$ 1,119,856	\$ 1,159,053	\$ 1,199,020	\$ 1,241,007	\$ 1,285,003	\$ 1,330,040	\$ 1,376,591	\$ 1,424,772	\$ 1,474,609	\$ 1,526,252	\$ 1,579,070	\$ 1,633,559	\$ 1,689,308	\$ 1,746,109	\$ 1,803,862	
Replacement Reserves				84,250	87,109	90,251	93,409	96,678	100,063	103,565	107,190	110,941	114,824	118,843	123,002	127,308	131,769	136,376	
PILOT				50,000	50,180	51,384	52,611	53,863	55,141	56,444	57,772	59,128	60,514	61,929	63,373	64,846	66,348	67,880	
Assessments				20,715	20,715	20,715	20,715	20,715	20,715	20,715	20,715	20,715	20,715	20,715	20,715	20,715	20,715	20,715	
Total Expenses				\$ 1,289,821	\$ 1,337,048	\$ 1,371,375	\$ 1,424,342	\$ 1,475,357	\$ 1,531,164	\$ 1,591,315	\$ 1,655,649	\$ 1,724,443	\$ 1,797,301	\$ 1,874,809	\$ 1,957,347	\$ 2,044,742	\$ 2,137,642	\$ 2,236,662	
Net Operating Income				\$ 782,193	\$ 709,198	\$ 750,494	\$ 780,192	\$ 808,481	\$ 840,431	\$ 872,788	\$ 905,429	\$ 938,103	\$ 970,710	\$ 1,003,261	\$ 1,035,763	\$ 1,068,121	\$ 1,100,333	\$ 1,132,399	\$ 1,164,206
Less Debt Service																			
Tax-Exempt Bonds				\$ 22,809,401															
SHRA Admin. Fee				34,214	34,214	34,214	34,214	34,214	34,214	34,214	34,214	34,214	34,214	34,214	34,214	34,214	34,214	34,214	
Accounting/Audit Fee				9,000	9,315	9,641	9,978	10,328	10,689	11,063	11,451	11,853	12,268	12,697	13,140	13,600	14,076	14,568	
Total Debt Service				\$ 35,823	\$ 35,829	\$ 35,859	\$ 35,890	\$ 35,922	\$ 35,955	\$ 35,989	\$ 36,024	\$ 36,059	\$ 36,094	\$ 36,129	\$ 36,164	\$ 36,199	\$ 36,234	\$ 36,269	
Cash Flow After Mortgage Payment				\$ 743,970	\$ 673,369	\$ 391,135	\$ 441,292	\$ 373,129	\$ 305,277	\$ 236,473	\$ 169,380	\$ 102,289	\$ 35,341	\$ 27,549	\$ 19,757	\$ 11,965	\$ 4,173	\$ 3,695	
Debt Coverage Ratio				1.08	1.10	1.12	1.14	1.16	1.18	1.20	1.22	1.25	1.27	1.29	1.31	1.33	1.35	1.38	
Asset Management Fee (1)				\$ 23,087	\$ 23,087	\$ 23,087	\$ 23,087	\$ 23,087	\$ 23,087	\$ 23,087	\$ 23,087	\$ 23,087	\$ 23,087	\$ 23,087	\$ 23,087	\$ 23,087	\$ 23,087	\$ 23,087	
Partnership Administration Fee				\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	
Asset Management Fee (2)				\$ 20,000	\$ 20,750	\$ 21,225	\$ 22,174	\$ 22,850	\$ 23,754	\$ 24,885	\$ 26,448	\$ 28,330	\$ 30,521	\$ 33,021	\$ 35,839	\$ 39,074	\$ 42,736	\$ 46,834	
Cash Flow Available for subordinated note				\$ 70,929	\$ 100,081	\$ 135,267	\$ 104,751	\$ 104,494	\$ 224,456	\$ 264,066	\$ 265,175	\$ 315,676	\$ 348,763	\$ 377,905	\$ 377,905	\$ 440,200	\$ 472,268	\$ 504,006	

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

RESOLUTION NO. 2006 -

ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

ON DATE OF

RESOLUTION DECLARING INTENTION TO REIMBURSE EXPENDITURES FROM THE PROCEEDS OF TAX-EXEMPT OBLIGATIONS AND DIRECTING CERTAIN ACTIONS; POINT NATOMAS APARTMENTS PROJECT

BACKGROUND

- A. The Housing Authority of the City of Sacramento (the "Issuer") intends to issue tax-exempt obligations in an principal amount not to exceed \$27,000,000 (the "Obligations") for the purpose, among other things, of making a loan to a California limited partnership or limited liability company related to or formed by Wasatch Advantage Group LLC (the "Developer"), the proceeds of which shall be used by the Developer to finance the acquisition and rehabilitation of a 337-unit multifamily housing facility located at 801 San Juan Road, Sacramento, California and commonly known as the Point Natomas 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.
- 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 \$27,000,000.
- 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 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, of 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. 2006 -

Adopted by the Sacramento City Council

on date of

APPROVING THE ISSUANCE OF TAX-EXEMPT OBLIGATIONS AND DIRECTING CERTAIN ACTIONS; POINT NATOMAS APARTMENTS

BACKGROUND

- A. The Housing Authority of the City of Sacramento (the "Issuer") intends to issue tax-exempt obligations in an principal amount not to exceed \$27,000,000 (the "Obligations") for the purpose, among other things, of making a loan to a California limited partnership or limited liability company related to or formed by Wasatch Advantage Group LLC ("Developer"), the proceeds of which shall be used by the Developer to finance the acquisition and rehabilitation of a 337-unit multifamily housing facility located at 801 San Juan Road, Sacramento, California and commonly known as the Point Natomas 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, rehabilitation and development of multifamily rental housing facilities to be occupied in part by low and/or very low income tenants.
- C. In order for the Obligations to be considered "qualified exempt facility bonds" under Section 142(a) of the Internal Revenue Code of 1986, as amended (the "Code"), Section 147(f) of the Code requires that the "applicable elected representatives" of the area in which the Project is to be located hold a public hearing on and approve the issuance of the Obligations.
- D. This City Council is the elected legislative body of the City.
- E. A notice of public hearing in a newspaper of general circulation in the City has been published, to the effect that a public hearing would be held by this City Council regarding the issuance of the Obligations by the Issuer and the nature and location of the Project.
- F. This City Council held said public hearing on the published date, at which time an opportunity was provided to present arguments both for and against the issuance of such Bonds and the nature and location of the Project.

- G. It is in the public interest and for the public benefit that the City approve the issuance and delivery of the Obligations for the purpose of financing the acquisition and rehabilitation of the Project.
- H. The City shall not have any liability for the repayment of the Obligations or any responsibility for the Project.

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

