Sacramento Housing & Redevelopment Agency

REPORT TO HOUSING AUTHORITY
City of Sacramento

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

CONSENT
April 11, 2006

Honorable Mayor and
Members of the City Council

Subject: APPROVAL OF BOND DOCUMENTS 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 resolution which:

- approves documents authorizing a bond issuance of not more than $2,810,000 for the acquisition, rehabilitation, and permanent financing of the Summerfield Plaza Apartments; and
- authorizes the Executive Director or her designee to execute all documents necessary to issue the bonds.

Contact: Christine Weichert, Interim Housing Policy and Development Director, 440-1353
Richard Marsh, Housing Finance Analyst, 440-1399 x1298

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 $2,810,000 in tax-exempt bonds to finance the acquisition, rehabilitation, and permanent financing of the Summerfield Plaza Apartments.

Background Information: The Housing Authority of the City of Sacramento held an inducement hearing on October 11, 2005, and adopted a resolution authorizing the issuance of tax-exempt mortgage revenue bonds for the Summerfield Plaza 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 was awarded on December 21, 2005. The purpose of this staff report is to obtain approval of the bond documents and final authorization of the bond issuance.

Description of Development: Summerfield Plaza Apartments consists of two 20-unit apartment complexes serving seniors and the disabled. 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. Vicinity and site maps are included as Attachments A, B-I, and B-II, respectively. 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. 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, a non-denominational and secular non-profit corporation ("Developer"), through a subsidiary. The property is to be acquired by Summerfield Village Apartments L.P., an affiliated partnership. The project is to remain a facility for seniors and the disabled. The Developer is to invest approximately $1,160,000 ($29,000 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.

Project Financing: Financing for the project is primarily from the tax-exempt mortgage revenue bonds and 4 percent tax credits. 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. A project summary, including a sources and uses of funds, is included as Attachment C. 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 the Area Median Income (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 a HUD project-based Section 8 HAP contract, which means that all of the tenants will be at 50 percent or less of AMI, and will pay only 30 percent of their income in rent. We note the current HAP contract is in effect only until November 21, 2006 but the Developer will be applying for a new contract and will be required to renew the HAP contract on the property as long as it is offered by HUD. A project cash flow proforma is included as Attachment D and a schedule of maximum rents and incomes is included as Attachment E.

The Developer is in the process of applying for the FHA 221(d)(4) insurance on the mortgage loan but final approval is not expected for at least three months. Acquisition of the property cannot take place until that time. CDLAC, however, has a May 1, 2006 deadline for closing on the bonds. Consequently, the Developer will close on the bonds immediately, but hold the proceeds under a Guaranteed Investment Contract (GIC) until the FHA insurance is approved, and then close on the acquisition. We note the Developer has requested the option of issuing some taxable bonds in addition to 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 return to the Housing Authority for final approval of the permanent bond documents and approval of the issuance of taxable bonds once the FHA insurance has been approved by HUD.

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:

_____
for RAY KERRIDGE
City Manager

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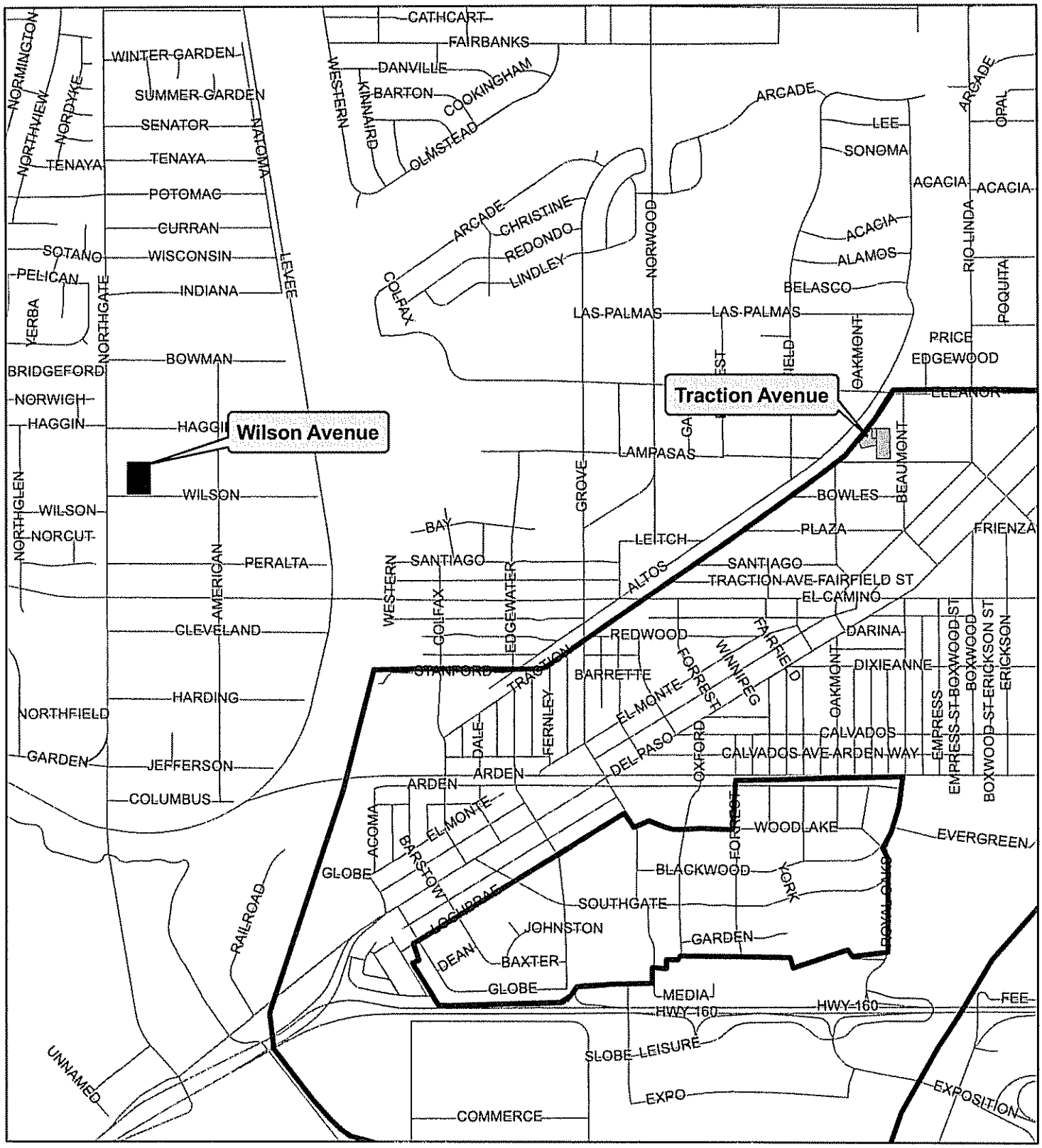


Summerfield Plaza Vicinity Map

GA 8/31/05

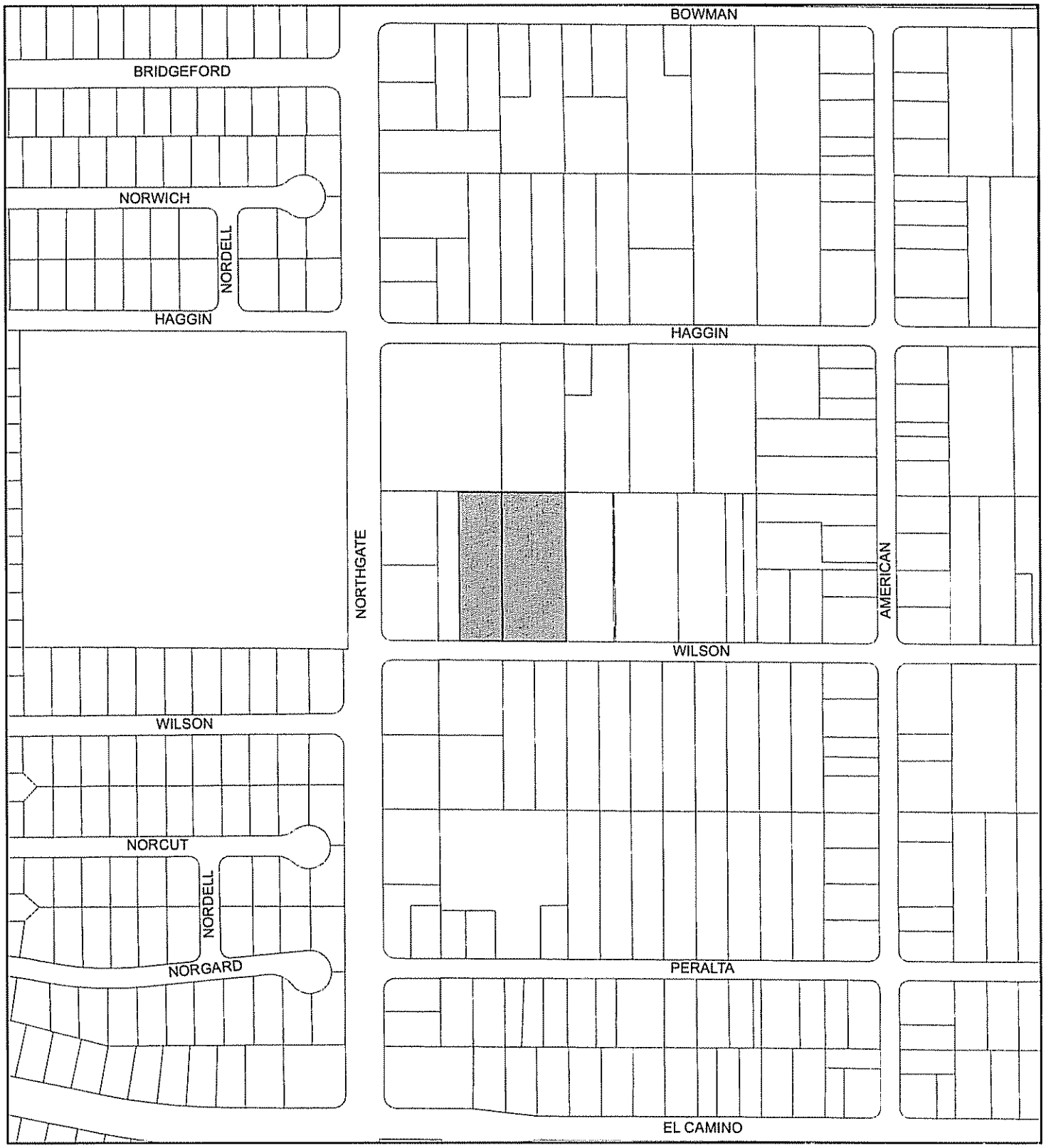
Legend

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

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

N W E S

Sacramento Housing & Redevelopment Agency



521 Wilson Avenue Site Map

GA 8/31/05

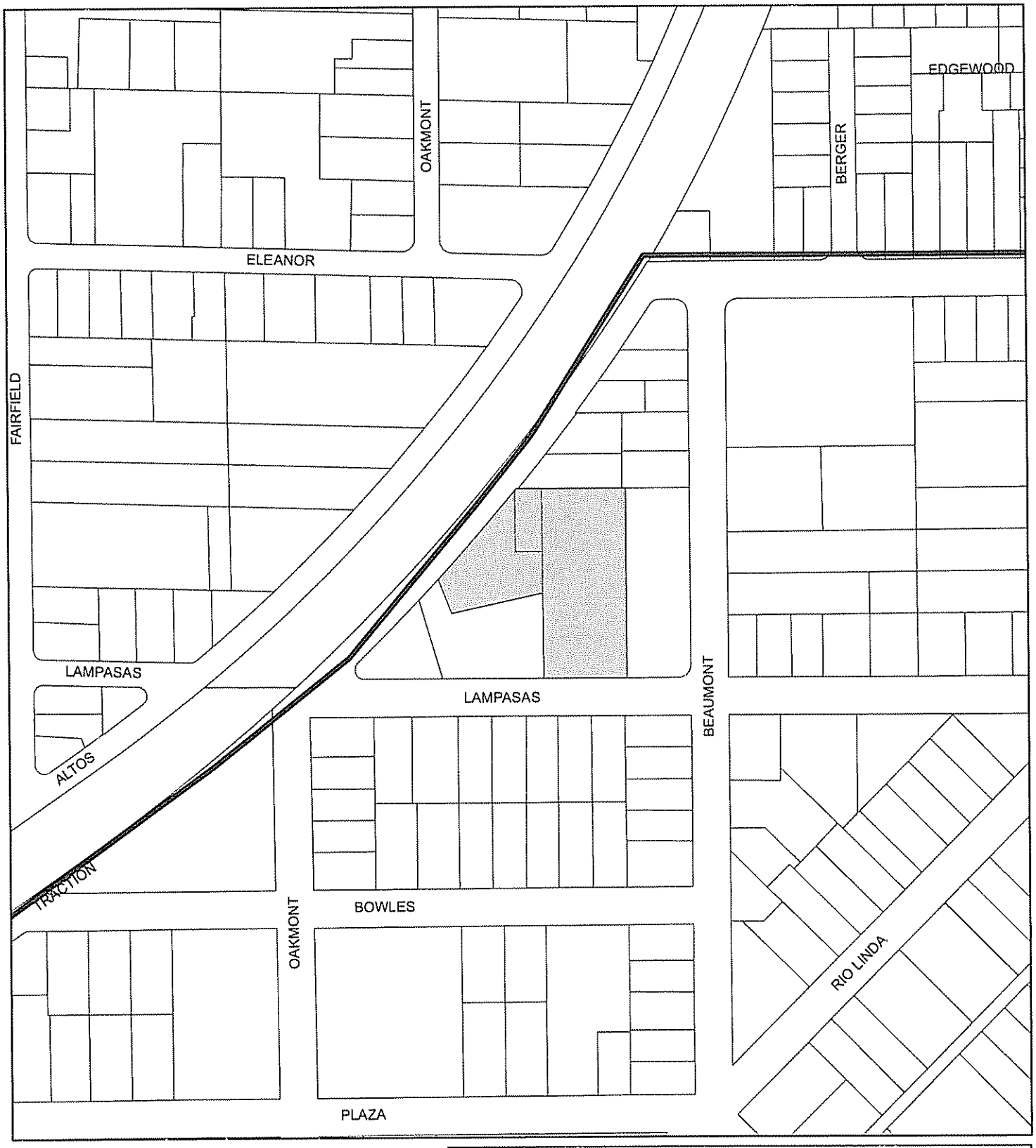
Legend

Subject Site

0 100 200 300 400 Feet

N W E S

Sacramento Housing & Redevelopment Agency



2624 Traction Avenue Site Map

GA 8/31/05

Legend

Subject Site

North Sacramento RDA

0 75 150 225 300 Feet

N W E S

Sacramento Housing & Redevelopment Agency

Project Summary

	Summerfield Plaza Apartments
Address	2624 Traction Avenue and 521 Wilson Avenue, Sacramento, CA
Number of Units	40
Year Built	1985
Acreage	Total of 2.92 acres
Affordability	Project-based HAP (Section 8) contract will require that residents in all 40 units are at or below 50% AMI.
Unit Mix and Rents	Proposed Net Rents After Deduction of Utility Allowance Project-based HAP (Section 8) rents. Resident pays 30% of income, only. HAP contract pays balance of rent 50% AMI
Studio	10 @ $785
1-Bedroom	25 @ $906
2-Bedroom	5 @ $983
	40 units
Square Footage	
Studio	500 s.f. (Approx.)
1-Bedroom	600 s.f. (Approx.)
2-Bedroom	700 s.f. (Approx.)
Total	23,500 Excluding Common Areas
Resident Facilities	Community rooms, laundry facilities.

Permanent Sources and Uses

Sources	Total	Per Unit	Per Sq. Ft.
Tax-Exempt Bonds:	$ 2,810,000	$ 70,250	$ 119.57
Tax Credit Equity:	$ 1,485,000	$ 37,125	$ 63.19
Seller Note/Taxable Bonds:	$ 1,185,000	$ 29,625	$ 50.43
Replacement Reserve:	$ 208,000	$ 5,200	$ 8.85
Cash Flow During Construction:	$ 207,000	$ 5,175	$ 8.81
Deferred Developer Fee:	$ 3,000	$ 75	$ 0.13
Total Sources of Funds:	**$ 5,898,000**	**$ 147,450**	**$ 250.98**

Uses	Total	Per Unit	Per Sq. Ft.
Purchase Price:	$ 2,800,000	$ 70,000	$ 119.15
Rehabilitation Costs:	$ 1,160,000	$ 29,000	$ 49.36
Indirect Costs:	$ 1,294,000	$ 32,350	$ 55.06
Reserves:	$ 168,000	$ 4,200	$ 7.15
Developer Fee:	$ 476,000	$ 11,900	$ 20.26
Total Uses of Funds:	**$ 5,898,000**	**$ 147,450**	**$ 250.98**

Management - Operations

Proposed Developer:	National Church Residences		
Property Management Company:	National Church Residences		
Operations Budget:	$ 179,210	$ 4,480	(Stabilized, excl. taxes and reserves)
Replacement Reserves:	$ 14,000	$ 350	(Set-aside per year)

Summerfield Plaza Apartments
Cash Flow Proforma

Unit Type		Number	Approx. Sq. Feet	Total Sq. Feet	Gross Rent	Utility Allowance	Net Rent	Rent Per Sq. Foot	Annual Rent	Section 8 Net Rent	Section 8 Increment	Annual Section 8
Studio	50% AMI	3	500	1,500	$ 561	$ 42	$ 519	$ 1.04	$ 18,684	$ 785	$ 266	$ 9,576
Studio	60% AMI	7	500	3,500	$ 673	$ 42	$ 631	$ 1.26	$ 53,004	$ 785	$ 154	$ 12,936
1 Bedroom	50% AMI	8	600	4,800	$ 601	$ 57	$ 544	$ 0.91	$ 52,224	$ 906	$ 362	$ 34,752
1 Bedroom	60% AMI	17	600	10,200	$ 721	$ 57	$ 664	$ 1.11	$ 135,456	$ 906	$ 242	$ 49,368
2 Bedroom	50% AMI	1	700	700	$ 721	$ 75	$ 646	$ 0.92	$ 7,752	$ 983	$ 337	$ 4,044
2 Bedroom	60% AMI	4	700	2,800	$ 865	$ 75	$ 790	$ 1.13	$ 37,920	$ 983	$ 193	$ 9,264
Total		40		23,500					$ 305,040			$ 119,940

		Increase per Year	Per Unit	Year 1 2006	Year 2 2007	Year 3 2008	Year 4 2009	Year 5 2010	Year 6 2011	Year 7 2012	Year 10 2015	Year 15 2020	Year 20 2025	Year 25 2030	Year 26 2031	Year 27 2032	Year 30 2035
Gross Potential Rent		2.5%	$7,626	$ 305,040	$312,666	$320,483	$328,495	$336,707	$345,125	$353,753	$380,953	$431,014	$487,652	$551,734	$565,527	$579,665	$624,236
Section 8 Income		2.5%	$2,999	119,940	122,939	126,012	129,162	132,391	135,701	139,094	149,789	169,472	191,742	216,939	222,362	227,921	245,446
Other Income		2.5%	$26	1,054	1,080	1,107	1,135	1,163	1,193	1,222	1,316	1,489	1,685	1,906	1,954	2,003	2,157
Vacancy/Concessions	5.0%		($533)	(21,302)	(21,834)	(22,380)	(22,940)	(23,513)	(24,101)	(24,703)	(26,603)	(30,099)	(34,054)	(38,529)	(39,492)	(40,479)	(43,592)
Effective Gross Residential Income			$10,118	$404,732	$414,851	$425,222	$435,852	$446,749	$457,917	$469,365	$505,455	$571,876	$647,025	$732,050	$750,351	$769,110	$828,247
Expenses																	
Operating Expenses		3.5%	$4,480	$179,210	$185,482	$191,974	$198,693	$205,648	$212,845	$220,295	$244,245	$290,086	$344,531	$409,195	$423,517	$438,340	$485,996
Replacement Reserves		3.5%	$350	14,000	14,490	14,997	15,522	16,065	16,628	17,210	19,081	22,662	26,915	31,967	33,085	34,243	37,966
R. E. Taxes		2.0%	$96	3,853	3,930	4,009	4,089	4,171	4,254	4,339	4,605	5,084	5,613	6,197	6,321	6,448	6,842
Total Expenses			$4,927	$197,063	$203,902	$210,980	$218,304	$225,884	$233,727	$241,844	$267,930	$317,832	$377,060	$447,359	$462,924	$479,031	$530,804
Net Operating Income				$207,669	$210,948	$214,242	$217,548	$220,865	$224,191	$227,522	$237,525	$254,044	$269,966	$284,691	$287,427	$290,079	$297,443
Less Debt Service																	
Tax-Exempt Bonds	$2,810,000	5.80%	40	$0	$135,000	$180,853	$180,853	$180,853	$180,853	$180,853	$180,853	$180,853	$180,853	$180,853	$180,853	$180,853	$180,853
SHRA Admin. Fee		0.15%		4,215	4,215	4,215	4,215	4,215	4,215	4,215	4,215	4,215	4,215	4,215	4,215	4,215	4,215
				$4,215	$139,215	$185,068	$185,068	$185,068	$185,068	$185,068	$185,068	$185,068	$185,068	$185,068	$185,068	$185,068	$185,068
Cash Flow After Mortgage Payment				$203,454	$71,733	$29,174	$32,481	$35,798	$39,123	$42,454	$52,457	$68,977	$84,898	$99,623	$102,360	$105,011	$112,375
Debt Coverage Ratio					1.52	1.16	1.18	1.19	1.21	1.23	1.28	1.37	1.46	1.54	1.55	1.57	1.61
Asset Management Fee		2.5%		$1,627	$5,125	$5,253	$5,384	$5,519	$5,657	$5,798	$6,244	$7,065	$7,993	$9,044	$9,270	$9,501	$10,232
Cash Flow After Management Fee				$201,827	$66,608	$23,921	$27,096	$30,278	$33,466	$36,656	$46,213	$61,912	$76,905	$90,579	$93,090	$95,509	$102,143
Less Payments on Seller Note																	
Taxable Bonds	$1,185,000	1.00%		$0	$64,831	$22,144	$25,319	$28,501	$31,688	$34,878	$44,436	$60,134	$75,127	$88,802	$91,312		
SHRA Admin. Fee		0.15%		1,778	1,778	1,778	1,778	1,778	1,778	1,778	1,778	1,778	1,778	1,778	1,778		
				$1,778	$66,608	$23,921	$27,096	$30,278	$33,466	$36,656	$46,213	$61,912	$76,905	$90,579	$93,090		
Cash Flow				$200,050	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$95,509	$102,143

Attachment D

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)

Maximum Income Limits

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

Proposed HAP (Section 8) Rents***

Unit Size	Net Rent
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. 2006 - __

ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

ON THE DATE

AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF HOUSING AUTHORITY OF THE CITY OF SACRAMENTO MULTIFAMILY HOUSING REVENUE BONDS (SUMMERFIELD PLAZA APARTMENTS) 2006 ISSUE B; AUTHORIZING THE EXECUTION AND DELIVERY OF A TRUST INDENTURE, A LOAN 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 IN CONNECTION THEREWITH; SUMMERFIELD PLAZA 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. Summerfield Village Apartments, L.P., an Ohio 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 commonly known as Summerfield Plaza Apartments located at 2624 Traction Avenue and 521 Wilson Avenue 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. After due consideration of the facts presented, the findings, including the environmental findings regarding this action, as stated in the staff report that accompanies this resolution, are approved. The Authority further 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 (Summerfield Plaza Apartments) 2006 Issue B", in an aggregate principal amount not to exceed $2,810,000 (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 agreement (the "Financing Agreement") 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 Red Capital Markets, 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 the Secretary of the Board of the Authority or the Clerk 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 $2,810,000), 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 $2,810,000) 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 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.