



**REPORT TO CITY COUNCIL
AND HOUSING AUTHORITY
City of Sacramento**

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

PUBLIC HEARING
May 9, 2006

Honorable Mayor and
Members of the City Council and Housing Authority of the City of Sacramento

Subject: APPROVAL OF THE ISSUANCE OF TAX-EXEMPT BONDS AND AGENCY
LOAN FOR THE VALENCIA POINT APARTMENTS

Location/Council District: Del Paso Road and Westlake Parkway, District 1

Recommendation: Staff recommends the adoption of the attached resolutions which:

- approve City Housing Trust Funds for an Agency loan of \$1,000,000 for the Valencia Point Apartments;
- approve a budget transfer of \$1,000,000 from City Housing Trust Funds (HTF) to the Valencia Point Apartments;
- indicate the willingness of the Housing authority of the City of Sacramento (Housing Authority) to issue up to \$20,000,000 in tax-exempt mortgage revenue bonds to provide construction and permanent financing for the Valencia Point Apartments;
- authorize an application to the California Debt Limit Allocation Committee (CDLAC) for the authority to issue bonds;
- 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; and
- authorize the Executive Director to execute all necessary documents associated with the transaction.

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

Presenters: Steve Lierly, Housing Finance Analyst

Department: Sacramento Housing and Redevelopment Agency

Summary: This report recommends an Agency loan and the use of tax-exempt mortgage revenue bonds to provide construction and permanent financing for the Valencia Point Apartments. Issuance of the bonds requires: 1) adoption of an

ISSUANCE OF TAX-EXEMPT BONDS AND AGENCY LOAN FOR VALENCIA POINT APARTMENTS

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.

Committee/Commission Action: At its April 19, 2006 meeting, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

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

NOES: None.

ABSENT: Burruss.

Background Information: St. Anton Capital, LLC, a local affordable housing developer ("Developer"), has requested the issuance of up to \$20,000,000 in tax-exempt mortgage revenue bonds and a \$1,000,000 loan of City Housing Trust Funds for the acquisition and construction of the 168 unit Valencia Point Apartments. A vicinity map is included as Attachment A. A location map is included as Attachment B.

Description of Development: Valencia Point is proposed as a newly constructed 168 unit apartment complex located within the Forecast Homes master planned community of Natomas Central. The apartment complex will satisfy a portion of the mixed income housing requirements of the Natomas Central development. The project will be located on 6.56 net acres of land at the southeast corner of Del Paso Road and Westlake Parkway.

The project will include 110 very low-income, 56 low-income, and 2 manager units in 13 two-story and one three-story residential buildings. The units will be a mix of one, two and three bedrooms ranging in size from 599 square feet to 1,217 square feet. Buildings will be wood frame construction with stucco siding and clay shingle roof tiles. The site will also include a 3,650 square foot club house which will contain a leasing office, kitchen, library with a study and computer area, fitness center, laundry facility, game room, conference room, and mail center. The site will be professionally landscaped and include a swimming pool. There will be 144 covered and an additional 103 uncovered parking spaces. There will also be 20 garages on site available for residents to rent. A site plan is included as Attachment C.

Developer: The owner of the project will be Valencia Sacramento L.P, a California Limited Partnership. Pacific Housing, Inc., a California non-profit benefit corporation will be the managing general partner and Anton Hurley, LLC, an affiliate of St. Anton Capital LLC, will be the co-general partner. St. Anton Capital, LLC is a privately owned real estate and development organization based in Sacramento which has owned and

ISSUANCE OF TAX-EXEMPT BONDS AND AGENCY LOAN FOR VALENCIA POINT APARTMENTS

operated affordable housing since 1996. The Developer has completed 15 multi-family projects with 2,200 units and has four projects currently under construction with an additional 553 units. Recent projects completed or under construction by the Developer in the Sacramento region, include the St. Anton Building at 21st and L Streets (65 units), Sierra Creek (144 units), and Natomas Park Apartments (212 units). St. Anton Capital has a demonstrated knowledge and experience in the delivery of quality projects.

Pacific Housing Corporation, based in Sacramento, California, will provide on-site resident services. Pacific Housing is an experienced operator of on-site resident services, and is a partner in several affordable projects in Sacramento. As a condition of this financing, Pacific Housing Corporation has submitted a complete social services plan for Agency approval detailing the scope and schedule of services provided.

Property Management: This project will be managed by St. Anton Management, Inc., an affiliate of St. Anton Partners, LLC. St. Anton Management, Inc. is owned equally by Steven Eggert and Peter Geremia and manages the properties owned or developed by St. Anton. St. Anton Management Inc. will employ on-site leasing and maintenance staff, asset managers, and administrative staff. Agency staff has reviewed the management plan, including daily operations, leasing procedures, maintenance, and eviction procedures, and has found that the proposed management company meets the Agency's requirements for property management.

Project Financing: The developer has proposed to finance the Valencia Point Apartments through the issuance of tax-exempt mortgage revenue bonds, low income housing tax credits, Agency loan and a developer contribution in the form of a deferred fee note. In addition, the master developer, K. Hovnanian Forecast Homes, is contributing the land at a cost of \$1 and will be purchasing \$3,020,000 in bonds, which will be subordinate to the senior bonds and Agency loan. A project summary, including a proposed sources and uses of funds, is included as Attachment D, and a project cash flow proforma is included as Attachment E. A schedule of maximum rents and incomes is included as Attachment F.

This report recommends the approval of issuance of up to \$20,000,000 in tax-exempt mortgage revenue bonds and an Agency loan of City Housing Trust Funds in the amount of \$1,000,000 to be used in conjunction with low income housing tax credits, to finance the acquisition and construction of the Valencia Point Apartments. The senior bonds will be credit enhanced and publicly offered with the subordinate bonds being privately placed for purchase by K. Hovnanian Forecast Homes. 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.

ISSUANCE OF TAX-EXEMPT BONDS AND AGENCY LOAN FOR VALENCIA POINT APARTMENTS

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 following chart summarizes the proposed affordability restrictions for the project.

Unit Type	% of Units	Affordability Restrictions	Units	Regulatory Requirements
Agency Loan, Tax-exempt Bonds, LIHTC, Inclusionary	66%	Very Low (50% AMI)	110	55 years
Agency Loan, LIHTC, Inclusionary	33%	Low (60% AMI)	56	55 years
Manager Units	1%	None	2	None
Total	100%		168	

Maximum rent and income limits for the mortgage revenue bond and HOME programs can be found in Attachment E. The project's affordability restrictions will be specified in two regulatory agreements with the Agency and the developer.

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 a 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 already incurred and will incur in the future. Staff recommends that the Housing Authority adopt a resolution to indicate its intent to issue bonds to finance construction of the project. Adoption of the resolution will not bind the Authority to issue bonds until and unless all other necessary actions are taken in accordance with all applicable laws.

Financial Considerations: Adoption of the attached resolutions will not result in any direct financial obligation to the City, 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.

May 9, 2006

ISSUANCE OF TAX-EXEMPT BONDS AND AGENCY LOAN FOR VALENCIA POINT APARTMENTS

The Agency Housing Trust Fund Loan of \$1,000,000 will be made consistent with standard Agency underwriting guidelines. The loan will be made at a four percent simple interest rate. A draft commitment letter is included as Attachment G.

Environmental Considerations: The potential environmental impacts of the development project were evaluated by the City of Sacramento, which prepared an Initial Study and issued a Negative Declaration, finding that the project will not have a significant adverse impact on the environment.

The proposed actions set out in this staff report are exempt from further environmental review in reliance on the City's environmental determination as allowed under the CEQA Guidelines Section 15096. In addition, CEQA Guidelines Section 15310 and the Agency's Environmental Procedures provide that approval of loans and bond financing funding mechanisms are exempt from environmental review.

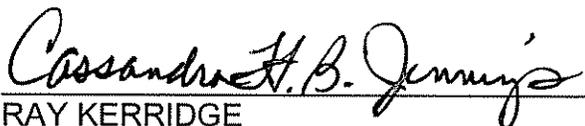
Policy Considerations: The recommended actions are consistent with the Agency's previously approved mortgage revenue bond policy and multifamily lending policy. Regulatory restrictions on the property are specified in a Regulatory Agreement between the Developer and the Housing Authority. Compliance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

The recommended actions are also consistent with the City Inclusionary Housing Ordinance. The project will meet a portion of the mixed income housing requirements for the K. Hovnanian Forecast Homes developed community of Natomas Central, 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: 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:

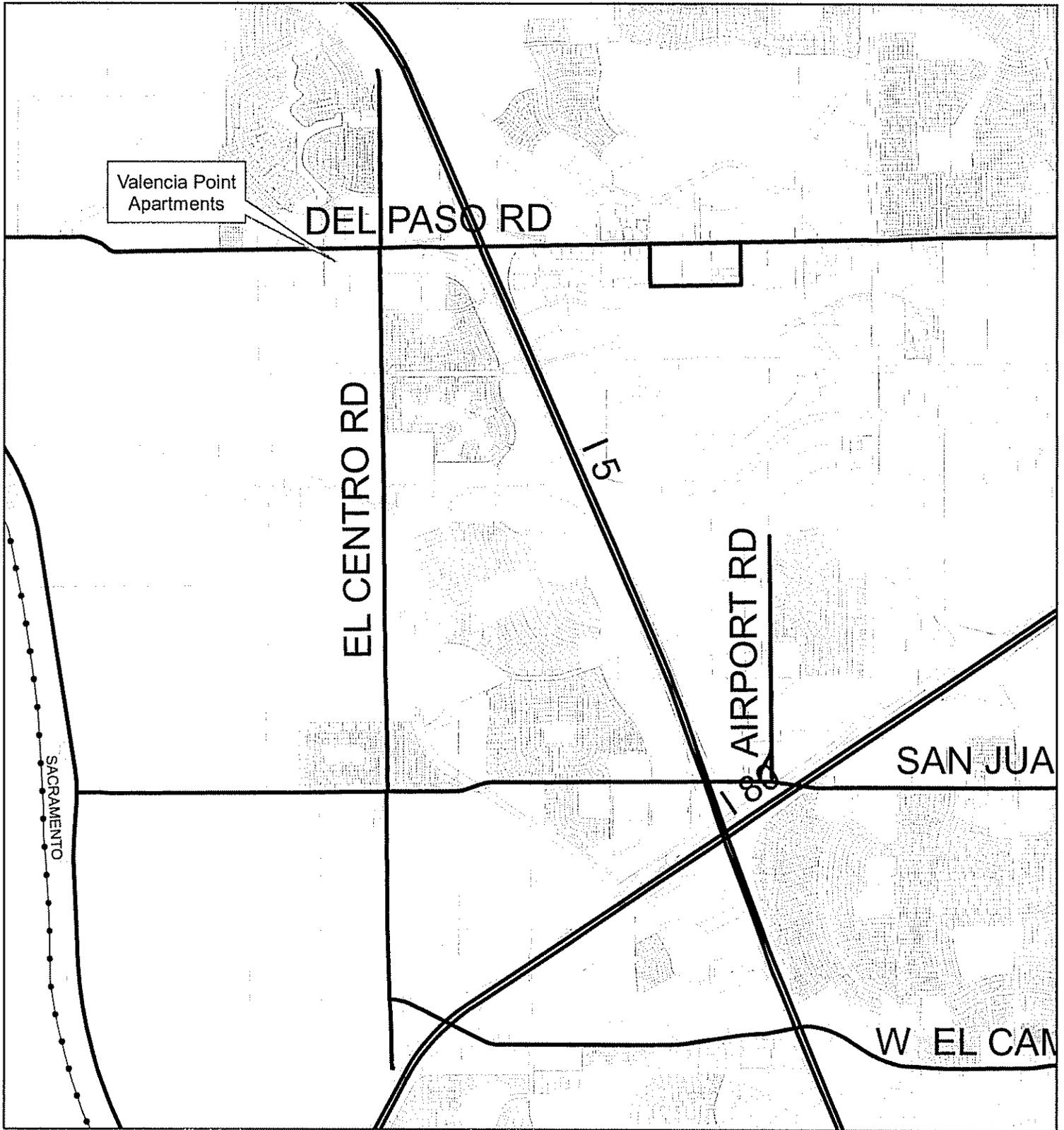

for RAY KERRIDGE
City Manager

ISSUANCE OF TAX-EXEMPT BONDS AND AGENCY LOAN FOR VALENCIA POINT APARTMENTS

Table of Contents

Pg	Description
7	Attachment A: Valencia Point Apartments Vicinity Map
8	Attachment B: Valencia Point Apartments Location Map
9	Attachment C: Valencia Point apartments Site Plan
10	Attachment D: Project Summary
11	Attachment E: Cash Flow Proforma
12	Attachment F: Maximum Rent and Income Restrictions
13	Attachment G: Loan Commitment Letter
22	City Council Housing Trust Loan Resolution
24	Housing Authority Inducement Resolution
26	City Council TEFRA Resolution

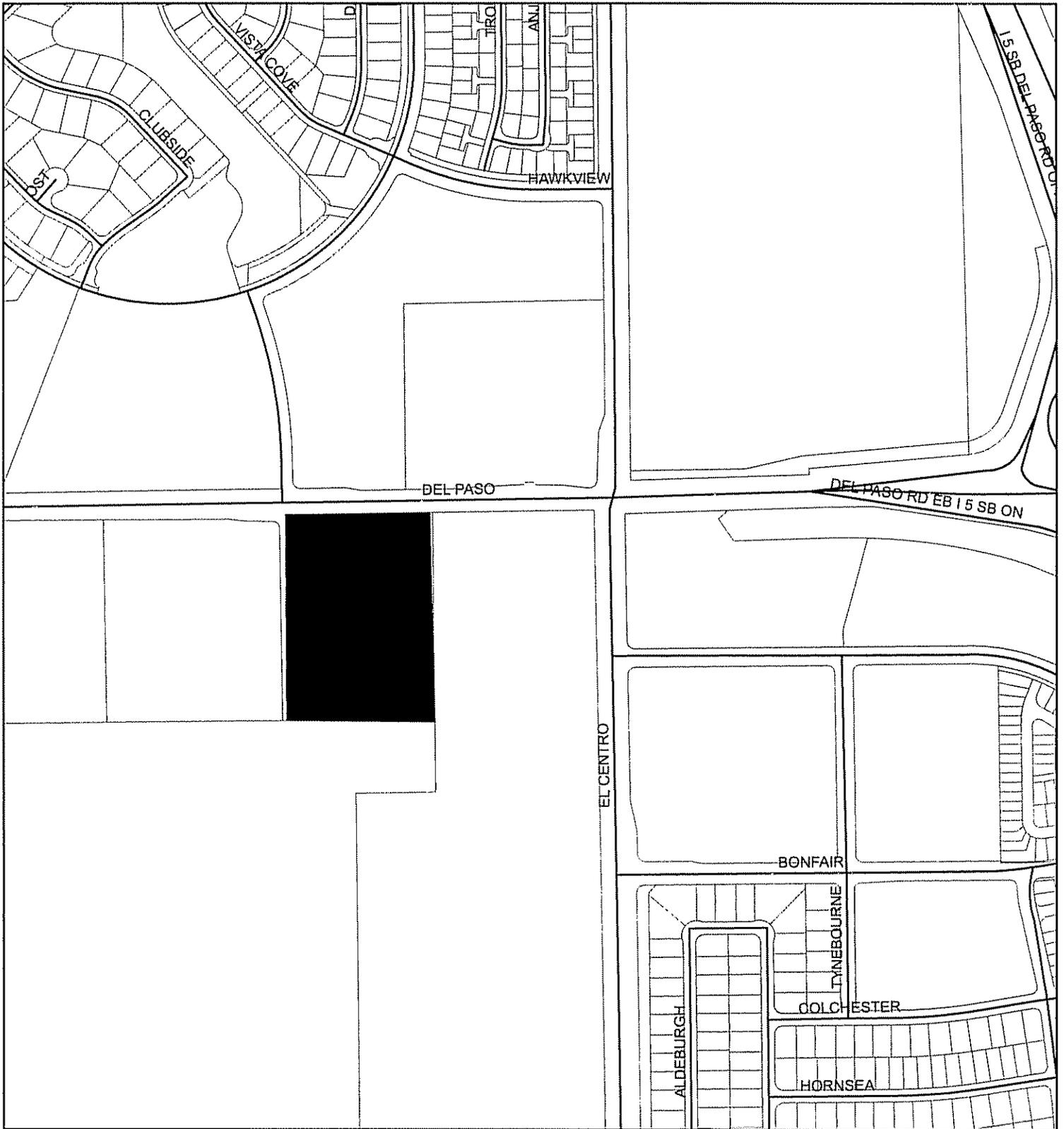
Vicinity Map Valencia Point Apartments



Legend

- Major Roads
- Sacramento River
- ▭ Parcels

Location Map Valencia Point Apartments



Legend

□ Parcels

— Streets

■ Valencia Point Apartments

Valencia Point Apartments

Address	Southeast corner of Del Paso Road and Westlake Parkway		
Number of Units	168		
Year Built	New Construction		
Acreage	6.56 net acres		
Affordability	110 units (67%) at or below 50% of medium 56 units (32%) at or below 60% of medium 2 Managers Unit		
Unit Mix and Rents	(50% AMI)		(60% AMI)
1 Bedroom / 1 Bath	22 @ \$613		14 @ \$735
2 Bedroom / 2 Bath	56 @ \$736		26 @ \$883
3 Bedroom / 2 Bath	32 @ \$850		16 @ \$1,020
Square Footage			
1 BR / 1 BA		599 square feet	
2 BR / 2 BA		893 square feet	
3 BR / 2 BA		1,114 - 1,217 square feet	
Community Room		<u>3,650 square feet</u>	
Total		156,890 square feet	
Resident Facilities	A 3,650 square foot community room with laundry room, kitchen, library with computer area, mail room, fitness center, meeting and conference room.		
Permanent Sources	<i>Total</i>	<i>Per Unit</i>	<i>Per Square Foot</i>
Senior MRB	\$ 10,050,000	\$ 59,821	\$ 64.06
Tax Credit Equity	\$ 11,117,417	\$ 66,175	\$ 70.86
SHRA Loan	\$ 1,000,000	\$ 5,952	\$ 6.37
Subordinate Bonds	\$ 3,020,000	\$ 17,976	\$ 19.25
NOI During Lease Up	\$ 538,258	\$ 3,204	\$ 3.43
GIC Interest Income	\$ 361,575	\$ 2,152	\$ 2.30
Developer Note	\$ 2,040,419	\$ 12,145	\$ 13.01
TOTAL SOURCES	\$ 28,127,669	\$ 167,427	\$ 179.28
Permanent Uses			
Acquisition Costs	\$ 1	\$ 0	\$ 0.00
Construction Costs	\$ 17,363,016	\$ 103,351	\$ 110.67
Financing Costs, Taxes & Insurance	\$ 2,315,177	\$ 13,781	\$ 14.76
Operating Reserves	\$ 328,803	\$ 1,957	\$ 2.10
Development Impact Fees	\$ 4,275,000	\$ 25,446	\$ 27.25
Reports, Survey, Title, Escrow, Legal	\$ 434,303	\$ 2,585	\$ 2.77
Contingency	\$ 100,000	\$ 595	\$ 0.64
Other Transaction Costs	\$ 811,369	\$ 4,830	\$ 5.17
Developer Fee	\$ 2,500,000	\$ 14,881	\$ 15.93
TOTAL USES	\$ 28,127,669	\$ 167,427	\$ 179.28
Management / Operations			
Proposed Developer:	St. Anton Capital, LLC		
Property Management Company:	St. Anton Management		
Operations Budget:	\$507,015	\$3,018	
Replacement Reserves:	\$42,000	\$250	

VALENCIA POINT APARTMENTS

Unit Type	Number	Square Feet	Total Sq Feet	Monthly Rent	Rent per Sq Foot	Total No. Rent	Annual Rent	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 24	Year 25	Year 30	
1 BD / 1 BA @ 50% AMI	22	599	13,178	\$ 565	\$ 0.94	\$ 12,430	\$149,160												
1 BD / 1 BA @ 60% AMI	14	599	8,386	\$ 687	\$ 1.15	\$9,618	\$115,416												
2 BD / 2 BA @ 50% AMI	56	893	50,008	\$ 672	\$ 0.75	\$37,632	\$451,584												
2 BD / 2 BA @ 60% AMI	26	893	23,218	\$ 819	\$ 0.92	\$21,294	\$255,528												
3 BD / 2 BA @ 50% AMI	16	1144	18,304	\$ 801	\$ 0.70	\$12,816	\$153,792												
3 BD / 2 BA @ 60% AMI	8	1144	9,152	\$ 939	\$ 0.82	\$7,512	\$90,144												
3 BD / 2 BA @ 50% AMI	16	1217	19,472	\$ 769	\$ 0.63	\$12,304	\$147,648												
3 BD / 2 BA @ 60% AMI	8	1217	9,736	\$ 939	\$ 0.77	\$7,512	\$90,144												
2 BD / 2 BA Managers Unit	2	893	1,786	\$ 801	\$ 0.90	\$1,602	\$19,224												
Total / Average	168	955	153,240	\$ 777	\$ 0.89	\$122,720	\$1,472,640												
Income	rate	annual increase	per unit	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 24	Year 25	Year 30					
Potential Gross Income	2.50%			1,547,152	1,585,831	1,625,477	1,666,114	1,707,767	1,932,181	2,166,086	2,473,355	2,730,122	2,796,375	3,166,104					
Other Income	2.50%			109,848	112,594	115,409	118,294	121,252	137,185	155,212	175,609	193,839	198,685	224,784					
Less Vacancy	5.00%			82,850	84,921	87,044	89,220	91,451	103,468	117,065	132,448	146,198	149,853	169,545					
Effective Gross Income				\$1,574,150	\$1,613,504	\$1,653,842	\$1,695,188	\$1,737,567	\$1,965,898	\$2,224,233	\$2,516,516	\$2,777,763	\$2,847,207	\$3,221,353					
Operating Expenses																			
Social Services	3.50%		2,690	485,603	502,599	520,190	538,397	557,241	661,827	786,043	933,572	1,071,296	1,108,791	1,316,896					
Property Assessments	2.00%		133	22,320	23,101	23,910	24,747	25,613	30,420	36,128	42,910	49,240	50,964	60,529					
Property Management	3.50%		396	66,594	67,926	69,284	70,670	72,083	79,586	87,869	97,015	105,012	107,112	118,261					
Replacement Reserves			328	55,095	56,473	57,894	59,332	60,815	68,806	77,848	88,078	97,222	99,652	112,747					
Total Expenses	3.00%		250	42,000	43,260	44,558	45,895	47,271	54,800	63,529	73,647	82,891	85,377	98,976					
Net Operating Income			3,998	671,612	693,359	715,826	739,040	762,023	895,440	1,051,418	1,235,223	1,405,661	1,451,897	1,707,409					
Debt Service	amount	rate	term	\$902,538	\$920,145	\$938,015	\$956,148	\$974,544	\$1,070,458	\$1,172,615	\$1,281,283	\$1,372,102	\$1,395,310	\$1,513,944					
Senior Loan	\$10,050,000	5.95%	30	719,186	719,186	719,186	719,186	719,186	719,186	719,186	719,186	719,186	719,186	719,186					
Interest Rate Cap Escrow				0	0	0	0	0	10,050	10,050	10,050	10,050	10,050	10,050					
Net Cash after Senior Debt				183,352	200,960	218,830	236,963	255,359	341,223	443,579	552,057	642,866	666,074	784,708					
Priority Distributions																			
Issuance Fee	\$19,090,000	0.15%		28,635	28,635	28,635	28,635	28,635	28,635	28,635	28,635	28,635	28,635	28,635					
PILOT Fee		2.00%		44,170	45,053	45,954	46,874	47,811	52,787	58,281	64,347	69,652	71,045	76,439					
Net Cash After Priority Distributions				110,547	127,271	144,240	161,454	178,913	259,800	356,663	459,075	544,580	566,394	677,634					
Combined Debt Coverage Ratio				1.14	1.16	1.18	1.20	1.22	1.32	1.44	1.20	1.54	1.68	1.81					
Secondary Distributions																			
Asset Management Fee (AMF)				5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000					
Partnership Management Fee (PMF)		1.00%		16,472	15,858	16,255	16,661	17,078	19,322	21,861	24,734	27,301	27,984	31,661					
SHRA HIF Loan																			
Interest for Period	1,000,000	4.00%		40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000					
Accrued Interest				0	0	0	0	0	0	0	0	0	0	0					
Principal Balance				120,000	160,000	200,000	240,000	280,000	480,000	680,000	880,000	0	0	0					
Net Cash Available				1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	826,400	0	0					
Developer Note				80,076	106,413	122,985	139,793	156,835	236,479	329,802	451,691	451,691	533,411	640,973					
Interest	2,090,419	4.00%		83,617	83,358	82,436	80,814	78,455	55,894	9,225	0	0	0	0					
Accum Balance				2,174,036	2,167,318	2,143,342	2,101,170	2,039,833	1,453,240	239,860	0	0	0	0					
Payment				90,076	106,413	122,985	139,793	156,835	236,479	239,860	0	0	0	0					
Balance				2,083,960	2,060,905	2,020,356	1,961,378	1,882,998	1,217,761	0	0	0	0	0					

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	\$ 22,900
2 person	\$ 26,150
3 person	\$ 29,450
4 person	\$ 32,700
5 person	\$ 35,300

Maximum Rent Limits:	
<u>Unit Size</u>	<u>Gross Rent</u>
1 Bedroom	\$ 613
2 Bedroom	\$ 736
3 Bedroom	\$ 850

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	\$ 27,480
2 person	\$ 31,380
3 person	\$ 35,340
4 person	\$ 39,240
5 person	\$ 42,360

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

May 9, 2006

Steve Eggert
Valencia Sacramento L.P.
1801 I Street, Suite 202
Sacramento, CA 95814

RE: Conditional funding commitment, Valencia Point Apartments

Dear Mr. Eggert:

On behalf of the Sacramento Housing and Redevelopment Agency ("Agency"), we are pleased to advise you of its commitment of acquisition, construction and permanent loan funds ("Loan") from City Housing Trust Funds for the purpose of financing the construction of that certain real property at the southeast corner of Del Paso Road and Westlake Parkway, Sacramento California ("Property"). The Agency's decision is based on your application, and all representations and information supplied by you to it. If these representations and information change in a material manner without written approval of Agency, this commitment is void. Agency's obligation to make the Loan is subject to satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

The Loan shall be made on standard Agency loan documents. No loan terms not in this funding commitment and the attached loan document forms shall be included in the final loan documents without additional environmental review and governing board approval. In the event of any discrepancies between terms stated in this commitment and the loan documents, the terms stated in the loan commitment letter shall be deemed to be terms of this commitment.

Unless otherwise agreed in writing by the Agency in exercise of its absolute discretion, the following shall be considered conditions to Agency approval of a financing commitment. The Agency may, in exercise of its absolute discretion, modify its requirements upon written notice to Borrower given at least 60 days prior to close of escrow for the Property.

This commitment will expire May 9, 2007.

1. PROJECT DESCRIPTION: The project is the new construction of a 168 unit apartment complex. A total of 110 units will be affordable to families earning less than 50 percent Area Median Income (AMI) and 56 units will be affordable at 60 percent AMI. Two units will remain unrestricted managers units.
2. BORROWER: The name of the Borrower for the Loan is Valencia Sacramento L.P.

3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely to pay the costs of acquisition, construction, and permanent financing or for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, and such other agreements as may be generally required by the Agency for the use of funding source for the Loan.
4. PRINCIPAL AMOUNT: The combined principal amount of the Loan will be the lesser of (a) One Million Dollars (\$1,000,000), or (b) an amount to be determined prior to close of the Loan based on a project budget approved by Agency. However, the combined indebtedness of the Property must not exceed 90 percent of the appraised value.
5. TERM OF LOAN: The unpaid balance of the Loan will be all due and payable in month 312 after senior loan conversion.
6. INTEREST RATE: The Loan will bear simple interest at Four Percent (4%) per annum. Interest shall be calculated on the basis of a 365-day year and actual days elapsed.
7. MONTHLY PAYMENT: Payments shall be applied first to outstanding interest accrued and unpaid and then to principal. Interest and principal payments shall be deferred from the date of the senior loan conversion for the first 204 months. Beginning in the month 205, monthly installments shall be made according to the following schedule:

Months 205 - 216	\$ 14,800.00 monthly
Months 217 - 228	\$ 16,100.00 monthly
Months 229 - 240	\$ 17,500.00 monthly
Months 241 - 252	\$ 19,000.00 monthly
Months 253 - 264	\$ 20,400.00 monthly
Months 265 - 276	\$ 21,800.00 monthly
Months 277 - 288	\$ 23,300.00 monthly
Months 289 - 300	\$ 24,800.00 monthly
Months 301 - 312	\$ 5,048.92 monthly

8. SOURCE OF LOAN FUNDS: Agency is making the Loan from the following sources of funds, and the Loan is subject to all requirements related to the use of such, whether Agency requirements or otherwise: \$1,000,000 in City Housing Trust Funds. This Loan is conditioned upon Borrower's acceptance of Agency's requirements and conditions related to such lending programs and funding sources, including among others, the required forms of agreements for the Loan; the requirements for covenants, conditions and restrictions upon the Property; and insurance and indemnity requirements.

Borrower acknowledges that, as a condition of the Agency's making of the Loan, the Property will be subject to restrictions on future sales and rentals which may result in less income to Borrower than could otherwise be realized, and that such restrictions run with the land, and during their operational term, will bind all successors in interest.

_____ (Borrower Initial)

9. ACCELERATION: Agency shall have the right to accelerate repayment of the Loan in the event of a default under any Loan Document or upon sale, transfer or alienation of the Property except as specifically provided for in the Loan documents.
10. SECURITY: The Loan shall be evidenced by promissory note(s) secured by a deed of trust with assignment of rents against the fee and/or leasehold interest in the Property and Improvements, which shall be a second lien upon the Property and Improvements subject only to senior debt and such other items as the Agency may approve in writing. The Loan shall also be secured by security agreements. The Agency may subordinate said deeds of trust in order to accommodate completion of construction of the Property.
11. LEASE AND RENTAL SCHEDULE: All leases of the Property and Improvements shall be subject to Agency's approval prior to execution. Borrower shall not deviate from the rental schedule presented in Borrower's application for the Loan without Agency's prior written approval.
12. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$11,000,000 in Low Income Housing Tax Credits and no less than \$2,000,000 in deferred developer fee.
13. OTHER FINANCING: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:

Construction Financing from a private lender(s) in an amount(s) sufficient to complete rehabilitation of the Property according to a scope of work as approved by Agency and made for a term not less than that specified in the Schedule of

Performances for completion of construction, and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.

Commitments for permanent financing sufficient to "take out" all liens senior to the Agency's lien and for a term of not less than 30 years and fully amortized.

Such commitments for financing shall not require modification of Agency loan documents, or any term of this commitment letter.

Such commitments shall not be based upon sources and uses of Project funds that are different from those approved by Agency for the project or be subject to conditions which require amendment of the Loan Agreement.

14. EVIDENCE OF FUNDS: Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its absolute discretion; and c) Agency's contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.
15. SOILS AND TOXIC REPORTS: Borrower must submit to Agency a soils report prepared by a licensed soils engineer and a hazardous substances report made in accordance with the American Society for Testing and Materials "Standard Practice for Environmental Site Assessments; Phase I Environmental Site Assessment Process" (Designation E1527-93) prepared by a licensed or registered environmental engineer or other qualified party prior to Loan closing. Borrower must, as a condition of disbursement of Loan funds, give assurances satisfactory to the Agency that hazardous materials are not present on the Property or that any hazardous materials on the Property have been re-mediated and that no further remediation is then required by the environmental agency having responsibility for monitoring such remediation.
16. LOAN IN BALANCE: Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the un-disbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders are sufficient, in the sole judgment of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency. Should the Agency determine that the Loan is not "in balance", the Agency may declare the Loan to be in default.
17. PLANS AND SPECIFICATION: Final plans and specifications for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to

the disbursement of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the project.

18. ARCHITECTURAL AGREEMENT: The architectural agreement ("Agreement") for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
19. CONSTRUCTION CONTRACT: The construction contract ("Contract"), and any change orders issued thereunder, and the contractor ("Contractor") to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Contract as security for the Loan. Agency shall require Contractor to provide a performance and payment bond in a form acceptable to Agency for the amount of the Contract.
20. RETENTION AMOUNT: The Agency shall retain ten percent (10%) as retention from each disbursement, not to exceed a total of ten percent (10%) of the total amount of the Loan.
21. COST BREAKDOWN: Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, which breakdown conforms to the project plans and specification and the budget approved with this commitment. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency, Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

All contracts, subcontracts, contractors, and subcontractors shall be subject to Agency's approval prior to close of the Loan. Agency also reserves the right to require performance and material payment bonds on any or all contractors, or in lieu of bond a letter of credit acceptable to Agency.

Agency shall make disbursements of the Loan based on a cost breakdown that lists line items in cost categories. Agency shall require that Borrower provide documentation supporting all requests for disbursement of Loan funds, including proof of work done and actual expenditure. Agency shall conduct inspections of the Property to assure that the work was done before making a disbursement.

22. APPROVAL OF DISBURSEMENTS: Borrower shall submit all disbursement requests to the Agency simultaneous to lender, tax credit investor, and/or any other funding source for the project for approval. Agency shall have five business days from the date of a complete disbursement request to approve or

deny, in whole or part, such disbursement request. Borrower shall ensure that appropriate language to this effect is included in lender and partnership documents.

Agency shall only approve disbursements of the Loan based on a cost breakdown that restricts disbursements to line items in cost categories in Agency approved budget. Agency shall require that Borrower provide documentation supporting all requests for disbursement of Loan funds. Agency shall conduct inspections of the Property prior to disbursing, or approving disbursement requests, of Loan funds.

If the Agency does not approve a draw request, in whole or part, or the Borrower fails to submit a draw request to the Agency for approval, the Agency loan shall be reduced by the same amount of the disallowed draw item(s).

At completion of construction, Borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown. If there is an aggregate savings in the total of all such cost breakdown items based on the original approved budget for the project, the Agency shall withhold for itself, as loan repayment, one-half of such savings from the amount of retention then held by the Agency, and the loan balance shall be reduced by the amount so withheld. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency loan based upon this cost certification and the original approved budget for the project.

23. CONSTRUCTION CONTINGENCY: Within the Development Budget there will be 5% construction contingency. This contingency can only be spent by change order request with Agency approval. Any unspent funds will be split between the Developer (50%) and the Agency (50%).
24. START OF CONSTRUCTION: Borrower shall commence construction at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than November 1, 2006.
25. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than March 1, 2008.
26. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance or in lieu such insurance, Builder's Risk completed value insurance in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any

permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000.00).

27. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain public liability and property damage insurance (with Agency named as additional insured) in a form approved by Agency. Coverage must be approved by Agency and must be in at least the following limits of liability: Bodily injury liability of \$1,000,000 each occurrence and \$1,000,000 Aggregate, Products and Completed Operations; Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single limit and \$1,000,000 aggregate; Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$1,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate; and Comprehensive Automobile Liability for any vehicle used for or in connection with the Work of \$1,000,000. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000). Borrower must also procure and maintain workers' compensation and all other insurance required under applicable law, as required by law and as approved by Agency.
28. TITLE INSURANCE: Borrower must procure and deliver to Agency a 1970 or 1987 ALTA LP-10 Lender's Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to CLTA endorsement nos. 100, 116, and 102.5/102.7 insuring Agency in an amount equal to the principal amount of the Loan, that Agency's Deeds of Trust constitutes a second lien or charge upon the Property and Improvements subject only to such items as shall have been approved by Agency. There must be no exceptions permitted for mechanics liens. Title insurance for the Loan must be issued by a title insurer approved by Agency.
29. ORGANIZATIONAL AGREEMENTS: Borrower must submit to Agency certified copies of all of Borrower's organizational documents, including all amendments, modifications or terminations: if a corporation, Borrower's Articles of Incorporation and By-Laws; if a partnership, its Partnership Agreement and, as applicable, Certificate of Limited Partnership or Statement of Partnership; if a Limited Liability Company, its Articles of Organization and its Operating Agreement; and in all cases with all exhibits and amendments to such documents, fictitious business name statements, other related filings or recorded documents and such related documents as Agency may request. If it is a corporation, Borrower must submit a corporate borrowing resolution referencing this Loan. If Borrower is other than a corporation, Borrower must submit such proof of authority to enter this Loan as may be required under the organizational documents.

30. PURCHASE OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.
31. FINANCIAL INFORMATION: During the term of the Loan, Borrower shall deliver to Agency within 120 days of the end of each fiscal year an audited income and expense statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. During the term of the Loan, Borrower must deliver to Agency a monthly rent-roll including household composition information, and operating statements with respect to the Property and Improvements, as Agency may request.
32. MANAGEMENT AGREEMENT: Prior to execution, Borrower must submit to Agency any agreement providing for the management or operation of the Property or Improvements by a third party which agreement is subject to Agency Approval. In addition, Borrower must submit an organizational chart indicating the number of employees currently employed by the management company that will operate the project and an organizational chart of the management organization.
33. LOW INCOME HOUSING TAX CREDITS("LIHTC"): Borrower represents that as a condition of closing this Loan it is applying for an allocation of LIHTCs and agrees to perform all actions and to meet all requirements to maintain the LIHTC allocation if granted.
34. TENANT SERVICES PLAN: Prior to the closing of the Loan the Borrower will submit to the Agency for approval a Tenant Services Plan. The Tenant Services Plan must provide a description of the services or activities to be provided as well as their goals and objectives. Additional information such as the name of the service provider, the number of staff persons facilitating the services, and how regularly the services will be offered must be included.
35. SECURITY AND LIGHTING: Project shall include a security camera system approved by the Agency and lighting adequate to properly the parking area and all common spaces
36. DOCUMENTATION: This letter is not intended to describe all of the requirements, terms, conditions and documents for the Loan, which shall also include customary provisions and documents for an Agency transaction of this type. All documents to be delivered to or approved by Agency must be satisfactory to Agency in all respects. Borrower must promptly deliver to Agency any further documentation that may be required by Agency.

37. CONSISTENCY OF DOCUMENTS: As a material obligation under this commitment letter, Borrower shall assure that the loan documents for the Project are consistent with lender's commitment approved by the Agency and comply, in all respects, with this commitment letter.
38. CHANGES OR AMENDMENTS: No documents or contracts which are to be delivered to Agency or are subject to Agency's review or approval shall be modified or terminated without the prior written approval of Agency.
39. ACCEPTANCE OF THIS COMMITMENT: Borrower's acceptance of this Commitment shall be evidenced by signing and delivering to Agency the enclosed copy of this letter. Until receipt of such acceptance by Agency, Agency shall have no obligation under this letter. Agency may withdraw this commitment at any time prior to Borrower's acceptance.

Yours truly,

Anne M. Moore
Executive Director

The undersigned acknowledges and accepts the foregoing Commitment and its terms and conditions.

Dated:

BORROWER:

By: _____
Steve Eggert, Authorized Representative

RESOLUTION NO. 2006 -

Adopted by the Sacramento City Council

on date of

VALENCIA POINT APARTMENTS: APPROVAL OF \$1,000,000 LOAN; EXECUTION OF LOAN AGREEMENT AND RELATED DOCUMENTS WITH VALENCIA SACRAMENTO L.P.; RELATED BUDGET AMENDMENT

BACKGROUND

- A. Valencia Sacramento, L.P. has requested allocation of One Million Dollars (\$1,000,000) from City of Sacramento Housing Trust Funds to the Valencia Point Apartments project to assist in funding the acquisition and development of a 168 unit multifamily housing project that will include 110 very low income and 56 low income units.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. All of the evidence presented having duly considered, the findings, including the environmental findings regarding this action, are approved.

Section 2. The Sacramento Housing and Redevelopment Agency ("Agency") is authorized to amend the Agency Budget to transfer \$1,000,000 from the City Housing Trust Fund to the Valencia Point Apartments project.

Section 3. The Loan Commitment for financing the Valencia Point Apartments project with Housing Trust Funds in the amount of \$1,000,000, a copy of which is attached to the staff report that accompanies this resolution, is approved and the Agency is authorized to execute and transmit the Loan Commitment to Valencia Sacramento L.P.

Section 4. Subject to the satisfaction of conditions in the Loan Commitment, the Agency is authorized to prepare and execute all Loan documents required for making of the \$1,000,000 Loan for a term of 28 years, with an interest rate of 4% (simple), and a loan repayment deferral until the beginning of the 18th year with Valencia Sacramento L.P. to fund the acquisition and construction of the Valencia Point Apartments.

Section 5. The Agency is authorized to enter into and execute other documents and perform other actions necessary to fulfill the intent of the staff report that accompanies this resolution, the Loan Commitment, in accordance with their respective terms, and to ensure proper repayment of the Agency funds including without limitation,

subordination, extensions and restructuring of payments, all as approved by Agency Counsel.

Section 6. The Agency is authorized to make technical amendments to said agreements and documents with approval of Agency Counsel, which amendments are in accordance with the Loan Commitment, with Agency policy, with this resolution, with good legal practices for making of such a loan, and with the staff report that accompanies this resolution.

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

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 \$20,000,000 (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 St. Anton Capital Group, LLC (the "Developer"), the proceeds of which shall be used by the Developer to finance the acquisition and rehabilitation of a 168-unit multifamily rental housing facility located at the Southeast corner of Del Paso Road and Westlake Parkway, Sacramento, California and commonly known as the Valencia Point 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 declares 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 rehabilitation of the Project that

are paid before the date of initial execution and delivery of the Obligations is not to exceed \$20,000,000.

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 construction 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, construction 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

APPROVAL OF 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 \$20,000,000 (the "Obligations") for the purpose, among other things, of making a loan to Valencia Sacramento LP, a California limited partnership, or a limited partnership or limited liability company related to or formed by St. Anton Capital LLC ("Developer"), the proceeds of which shall be used by the Developer to finance the acquisition and construction of a 168-unit multifamily housing facility to be located on the southeast corner of the intersection of Del Paso Road and Westlake Parkway, Sacramento, California and to be commonly known as the Valencia Point 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 approves 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.