



**Sacramento
Housing &
Redevelopment
Agency**

REPORT TO HOUSING AUTHORITY
City of Sacramento
915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

CONSENT
October 3, 2006

Honorable Chair and
Members of the Housing Authority of the City of Sacramento

Title: APPROVAL OF BOND DOCUMENTS FOR VALENCIA POINT APARTMENTS

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

Recommendation: Adopt the attached **Housing Authority Resolution** which: 1) approves documents authorizing a bond issuance of \$17,500,000 for acquisition, construction, and permanent financing of the Valencia Point Apartments; and 2) authorizes the Chairperson, Vice Chairperson, or Executive Director of the Housing Authority to execute all documents necessary to issue bonds.

Contact:

Jim Hare, Assistant Director of Housing Policy and Development, 440-1313
Steve Lierly, Housing Finance Analyst, 440-1399 x 1256

Description/Analysis:

Issue: On May 9, 2006 the City Council approved an Agency loan from Housing Trust Funds in the amount of \$1,000,000 for the acquisition and construction of the Valencia Point Apartments. On May 9, 2006 the Housing Authority of the City of Sacramento adopted a Resolution (Inducement) that indicated the intent to issue up to \$20,000,000 in tax-exempt obligations to fund the acquisition and construction of the Valencia Point Apartments. The Housing Authority must approve the final bond documents in order to complete the prior obligations.

Description of Development: Valencia Point is proposed as a newly constructed 168 unit apartment complex located within the K. Hovnanian 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 and is being developed by St. Anton Capital, LLC. The project will be located on 6.56 net acres of land at the southeast corner of Del Paso Road and Westlake Parkway. See Attachments 1 and 2 for vicinity and location maps.

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 of wood frame construction with stucco siding

APPROVAL OF BOND DOCUMENTS FOR VALENCIA POINT APARTMENTS

and concrete 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 a 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.

Project Financing: St. Anton Capital LLC, as developer, and Agency staff have agreed on a financing package for the Valencia Point Apartments that uses tax-exempt mortgage revenue bonds, low income housing tax credits, Agency loan, and a developer contribution in the form of a deferred note. In addition, the master developer, K. Hovnanian Forecast Homes, is contributing the land at the 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 3, and a project cash flow proforma is included as Attachment 4. A schedule of maximum rents and income limits is included as Attachment 5.

Committee/Commission Action: Not applicable. Issuance of bonds for this project was previously reviewed and approved by the SHRA Commission.

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 Mixed Income Housing Ordinance. The project will partially meet the mixed income housing requirements for the K. Hovnanian Forecast Homes development of Natomas Central. The inclusionary housing requirements will be detailed in a recorded Inclusionary Housing Regulatory Agreement. Compliance with the Inclusionary Housing Regulatory agreement will be monitored by the Agency on a regular basis.

Environmental Considerations: The potential environmental impacts of the apartment project were evaluated by the City of Sacramento as part of the larger Natomas Central project, and the City prepared an Initial Study and issued a Negative Declaration, finding that the project will not have a significant adverse impact on the environment. The Housing Authority and Agency have considered the Negative Declaration and determined that no further environmental review is required.

Rationale for Recommendation: The recommended actions are consistent with the City Mixed Income Housing Ordinance and the project will partially meet the mixed income housing requirements for the development of Natomas Central. This is an administrative action which formalizes the approval of the issuance of tax-exempt bonds which was previously authorized on May 9, 2006.

APPROVAL OF BOND DOCUMENTS FOR VALENCIA POINT APARTMENTS

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 sole obligation 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 .25 percent of the bond issuance amount, which is payable at bond closing. The Agency will also collect an annual payment of .15 percent of the total bond issuance amount for the monitoring of the regulatory restrictions and the administration of the bonds. This fee is payable in advance in 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.

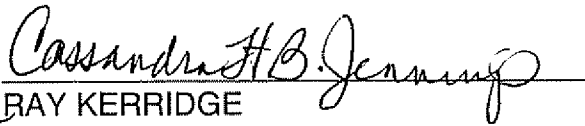
M/WBE Considerations: Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding.

Respectfully Submitted by: _____



ANNE M. MOORE
Executive Director

Recommendation Approved:



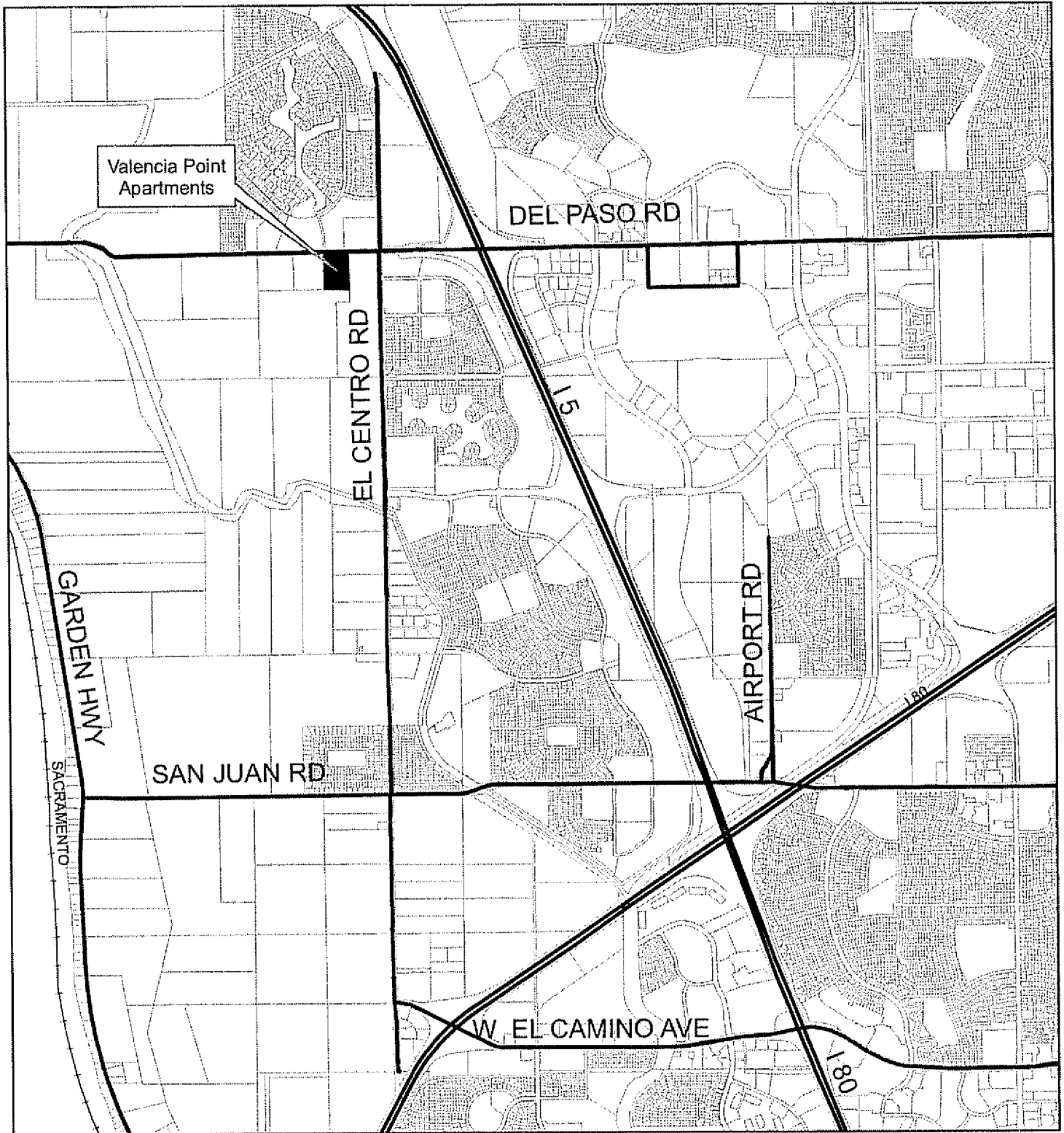
RAY KERRIDGE
City Manager

APPROVAL OF BOND DOCUMENTS FOR VALENCIA POINT APARTMENTS

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Vicinity Map Valencia Point Apartments



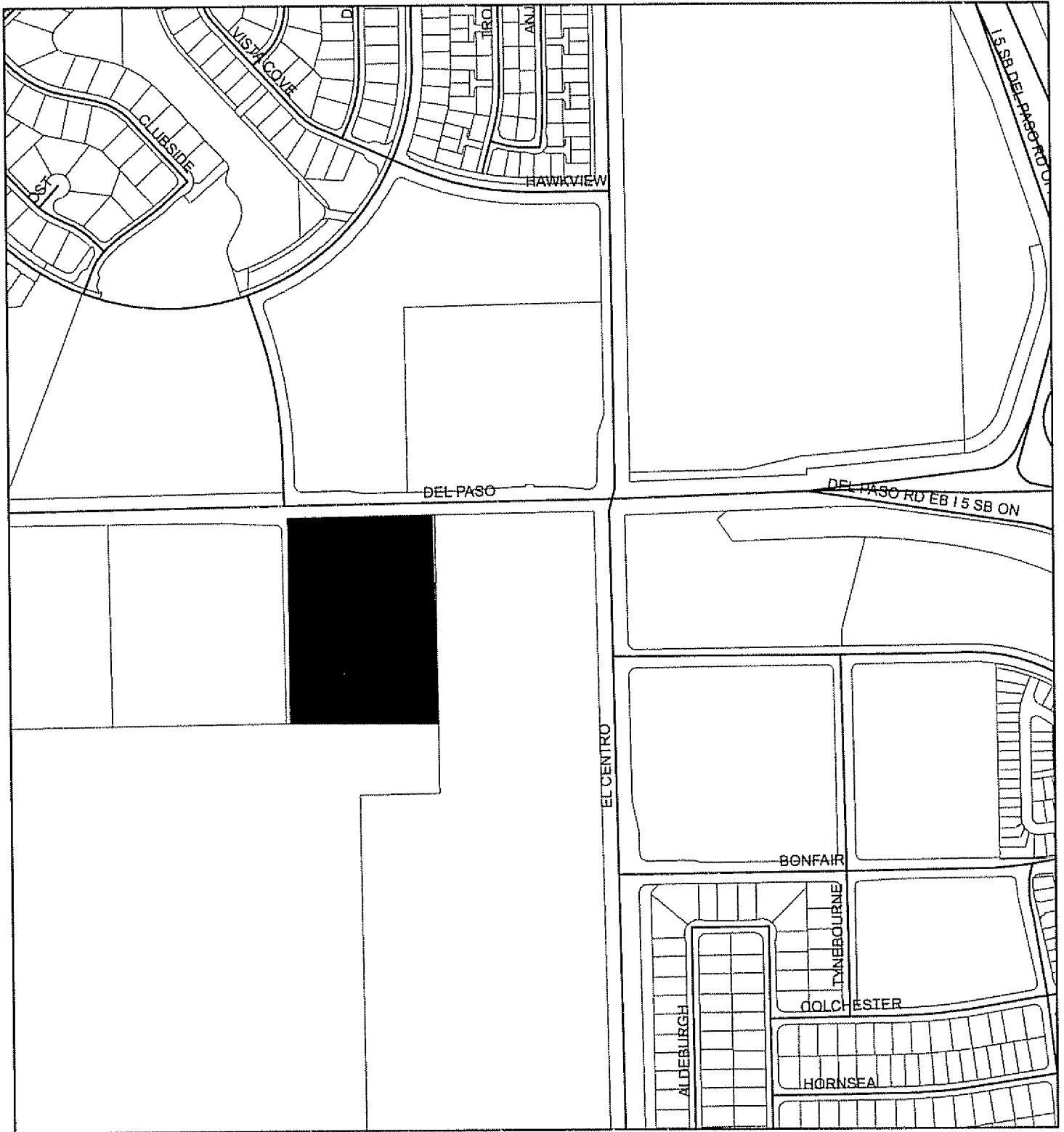
Legend

 Sacramento River

 Parcels

Location Map Valencia Point Apartments

Attachment 2



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 AMI 56 units (32%) at or below 60% of AMI 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	599 square feet		
1 BR / 1 BA	893 square feet		
2 BR / 2 BA	1,114 - 1,217 square feet		
3 BR / 2 BA	3,650 square feet		
Community Room	156,890 square feet		
Total			
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	\$ 11,258,128	\$ 67,013	\$ 71.76
SHRA Loan	\$ 1,000,000	\$ 5,952	\$ 6.37
Subordinate Bonds	\$ 3,020,000	\$ 17,976	\$ 19.25
NOI During Lease Up	\$ 633,408	\$ 3,770	\$ 4.04
GIC Interest Income	\$ 387,045	\$ 2,304	\$ 2.47
Developer Note	\$ 2,027,098	\$ 12,066	\$ 12.92
TOTAL SOURCES	\$ 28,375,679	\$ 168,903	\$ 180.86
Permanent Uses			
Acquisition Costs	\$ 1	\$ 0	\$ 0.00
Construction Costs	\$ 17,363,016	\$ 103,351	\$ 110.67
Financing Costs, Taxes & Insurance	\$ 2,382,491	\$ 14,181	\$ 15.19
Operating Reserves	\$ 328,803	\$ 1,957	\$ 2.10
Development Impact Fees	\$ 4,290,000	\$ 25,536	\$ 27.34
Reports, Survey, Title, Escrow, Legal	\$ 599,999	\$ 3,571	\$ 3.82
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	\$ 28,375,679	\$ 168,903	\$ 180.86
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
Cash Flow Proforma

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	\$9,616	\$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	\$ 769	\$ 0.67	\$12,304	\$147,648												
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	\$ 819	\$ 0.92	\$1,538	\$19,556												
Total / Average	168	955	153,240	\$ 775	\$ 0.89	\$122,244	\$1,466,928												
annual																			
Income																			
Potential Gross Income				1,547,152		1,585,831		1,547,152	1,585,831	1,625,477	1,665,114	1,707,757	1,932,181	2,186,085	2,473,355	2,730,122	2,798,375	3,166,104	
Other Income				189,848		112,594		189,848	112,594	115,409	116,294	121,252	137,185	155,212	175,609	193,839	198,685	224,794	
Less Vacancy				82,850		84,921		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		\$1,574,150	\$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																			
Operating Expenses			2,890	485,603	502,599	520,190	538,387	485,603	502,599	520,190	538,387	557,241	661,827	786,043	933,572	1,071,296	1,108,791	1,316,896	
Social Services			133	22,320	23,101	23,910	24,747	22,320	23,101	23,910	24,747	25,613	30,420	36,129	42,910	49,240	50,894	60,529	
Property Assessments			396	56,594	67,926	69,284	70,670	56,594	67,926	69,284	70,670	72,083	79,586	87,869	97,015	105,012	107,112	118,261	
Property Management			328	55,095	56,473	57,884	59,332	55,095	56,473	57,884	59,332	60,815	68,006	77,848	88,078	97,222	99,852	112,747	
Replacement Reserves			250	42,000	43,260	44,558	45,895	42,000	43,260	44,558	45,895	47,271	54,800	63,529	73,647	82,891	85,377	98,976	
Total Expenses			3,998	671,612	693,359	715,826	739,040	671,612	693,359	715,826	739,040	763,023	895,440	1,051,418	1,236,223	1,405,661	1,451,897	1,707,409	
Net Operating Income				\$902,538	\$920,145	\$930,015	\$926,148	\$902,538	\$920,145	\$930,015	\$926,148	\$974,544	\$1,070,458	\$1,172,815	\$1,281,293	\$1,372,102	\$1,396,310	\$1,513,944	
Debt Service																			
Senior Loan			30	719,186	719,186	719,186	719,186	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	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	210,830	236,963	183,352	200,960	210,830	236,963	255,359	341,273	443,579	552,057	642,866	666,074	784,706	
Priority Distributions																			
Issuance Fee				26,033	26,033	26,033	26,033	26,033	26,033	26,033	26,033	26,033	26,033	26,033	26,033	26,033	26,033	26,033	
PILOT Fee				44,170	45,053	45,954	46,874	44,170	45,053	45,954	46,874	47,811	52,787	58,281	64,347	69,652	71,045	78,439	
Net Cash After Priority Distributions				113,150	129,874	148,843	184,057	113,150	129,874	148,843	184,057	161,515	262,403	359,265	461,677	547,162	566,997	680,237	
Combined Debt Coverage Ratio				1.14	1.16	1.19	1.21	1.14	1.16	1.19	1.21	1.23	1.32	1.44	1.20	1.55	1.69	1.82	
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	5,000	5,000	5,000	5,000	
Partnership Management Fee (PMF)				15,472	15,858	16,295	16,661	15,472	15,858	16,295	16,661	17,078	19,322	21,861	24,734	27,301	27,984	31,661	
SHRA HTF Lease				40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	
Interest for Period				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Payment				120,000	160,000	200,000	240,000	120,000	160,000	200,000	240,000	280,000	480,000	680,000	880,000	1,080,000	1,280,000	1,480,000	
Accrued Interest				1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	
Principal Balance				92,678	109,015	125,588	142,395	92,678	109,015	125,588	142,395	159,438	236,081	332,404	454,294	536,013	536,013	643,576	
Net Cash Available				81,084	80,620	79,484	77,640	81,084	80,620	79,484	77,640	75,050	51,187	2,935	0	0	0	0	
Developer Note																			
Interest				2,027,098	4,000%			2,027,098	4,000%										
Accum Balance				2,108,182		2,066,593	2,018,645	2,108,182	2,066,593	2,018,645	1,951,300	1,951,300	1,330,866	76,313	0	0	0	0	
Payment				92,678		109,015	125,588	92,678	109,015	125,588	142,395	159,438	238,081	332,404	454,294	536,013	536,013	643,576	
Balance				2,015,504		1,957,108	1,941,005	2,015,504	1,957,108	1,941,005	1,876,250	1,791,862	1,092,785	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

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 (VALENCIA POINT APARTMENTS) 2006 ISSUE I AND 2006 ISSUE I-S, AUTHORIZING THE EXECUTION AND DELIVERY OF A TRUST INDENTURE, A FINANCING AGREEMENT, AN INDENTURE OF TRUST, A LOAN AGREEMENT, A REGULATORY AGREEMENT, A BOND PURCHASE AGREEMENT AND AN OFFICIAL STATEMENT AUTHORIZING THE EXECUTION AND DELIVERY OF AND APPROVING OTHER RELATED DOCUMENTS AND APPROVING OTHER RELATED ACTIONS IN CONNECTION THEREWITH;
VALENCIA POINT 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, construction 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, construction 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. Valencia Sacramento L.P., a California limited partnership (the "Borrower"), has requested that the Authority issue and sell the Bonds (hereinafter defined) for the purpose of financing the acquisition, construction and development of a multifamily rental housing project to be commonly known as the Valencia Point Apartments to be located on the Southeast corner of the intersection of Del Paso Road and Westlake Parkway 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. The Authority hereby finds and declares that the above recitals are true and correct, and the environmental findings as stated in the staff report that accompanies this resolution are approved and adopted.

Section 2. Pursuant to the Act, revenue bonds of the Authority designated as "Housing Authority of the City of Sacramento Variable Rate Demand Multifamily Housing Revenue Bonds (Valencia Point Apartments) 2006 Issue I" (the "Senior Bonds") and as "Housing Authority of the City of Sacramento Multifamily Housing Revenue Bonds (Valencia Point Apartments) 2006 Issue I-S" (the "Subordinate Bonds" and together with the Senior Bonds, the "Bonds"), in a total aggregate principal amount not to exceed \$17,500,000, 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 with respect to the Senior Bonds (the "Senior Indenture") between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee");
- (b) a financing agreement with respect to the Senior Bonds (the "Financing Agreement") among the Authority, the Trustee and the Borrower;
- (c) an indenture of trust with respect to the Subordinate Bonds (the "Subordinate Indenture") between the Authority and Wells Fargo Bank, National Association, as trustee (the "Subordinate Trustee");
- (d) a loan agreement with respect to the Subordinate Bonds (the "Loan Agreement") the Authority, the Subordinate Trustee and the Borrower;
- (e) a regulatory agreement and declaration of restrictive covenants (the "Regulatory Agreement") among the Authority, the Trustee and the Borrower;

- (f) a bond purchase agreement with respect to the Senior Bonds (the "Bond Purchase and Placement Agreement") among the Authority, the Borrower and Capmark Securities Inc.;
- (g) a preliminary official statement with respect to the Senior Bonds (the "Preliminary Official Statement"); and

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 Clerk of the Sacramento Housing and Redevelopment Agency 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 \$17,500,000), 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 and Subordinate Indenture, as applicable, as finally executed.

Section 4. The Bonds, when executed, shall be delivered to the applicable Trustee for authentication. The Trustee is hereby requested and directed to authenticate the Bonds by executing the applicable 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 applicable 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 \$17,500,000) 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 Senior Indenture, the Financing Agreement, the Subordinate Indenture, the Loan 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.