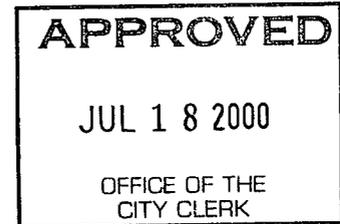




**Sacramento  
Housing &  
Redevelopment  
Agency**

3.3

July 18, 2000



City Council  
Sacramento, California

Honorable Members in Session:

**SUBJECT: MORTGAGE REVENUE BOND PROPOSAL: COUNTRYWOOD VILLAGE  
APARTMENTS - 5500 MACK ROAD**

**LOCATION & COUNCIL DISTRICT 5500 Mack Road – District 8**

**RECOMMENDATION**

Staff recommends approval of the attached resolution which signifies the City Council of the City of Sacramento held a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing.

**CONTACT PERSONS**

John Dangberg, Director of Community Development - City, 440-1357  
Darren Bobrowsky, Housing Finance Specialist, 440-1328

**FOR COUNCIL MEETING OF July 18, 2000**

**SUMMARY**

This report presents for adoption the attached resolution for the City Council of the City of Sacramento to conduct a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing. This action will not bind the Housing Authority to issue 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, acting as the Housing Authority of the City of Sacramento. The hearing of this report by the City Council of the City of Sacramento shall serve as the public hearing required under the Tax Equity and Fiscal Responsibility Act (TEFRA).

**COMMISSION ACTION**

At its meeting June 7, 2000, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

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AYES: Amundson, Burns, Castello, Dobbins, Harland, Holloway, Rotz, Simon  
NOES: None  
ABSENT: Castello, Newsome

### **BACKGROUND**

Pacific American Properties, a subsidiary of FowlerShore & Flanagan (Developer) is in escrow to purchase the Countrywood Village Apartments, which is a 292-unit multi-family rental complex located at 5500 Mack Road in South Sacramento (a map is included as Attachment I). The complex was constructed in 1982 in two phases and consists of 146 one-bedroom/one-bath units, 73 two-bedroom/one-bath units, and 73 two-bedroom/two-bath units. The units are 630, 838, and 856 square feet, respectively. Amenities on-site include two swimming pools with spas, laundry rooms, tennis court, and covered parking. A chart summarizing the proposal and project proforma can be found in Attachment II.

The Developer proposes to renovate this 18-year old complex to cure deferred maintenance items and bring it up to current market standards. The original rehabilitation budget submitted in the application was \$2,190,000 or \$7,500 per unit. Per City Council request to modify the budget to include a larger community room/Head Start daycare facility and complete siding replacement, it is anticipated that the budget will increase by \$500,000 to \$700,000. The new proposed scope of rehabilitation includes roofing, complete siding replacement, landscaping enhancement, new hot water boilers, dryrot and termite repair work, exterior painting, construction of two tot lots, community building and Head Start facility, BBQ grills, picnic tables and benches, and a half-court basketball court. Individual rental units will be upgraded with hardwired smoke detectors and GFCI electrical outlets. Some units will receive appliances, countertops, kitchen sink and faucets, bathroom vanity w/sink and faucet, floor coverings, and painting.

The Developer at the writing of this report was finalizing construction costs for the Head Start center and complete exterior siding replacement. Staff anticipates that an Agency loan of approximately \$500,000 to \$700,000 will be needed to cover these additional requested improvements from the City Council. Staff anticipates bringing a recommendation to Loan Committee for funding these improvements on July 27, 2000.

Pacific American Properties has developed 10 affordable housing developments containing 1,789 units including the Parkside Terrace Apartments on Sunnyslope Drive in the County of Sacramento. Pacific American Properties' performance has been satisfactory in this development. FlowerShore and Flanagan has developer over 28,000 multifamily housing units.

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As a public entity, the Authority can issue tax-exempt bonds, whereby the proceeds provide acquisition and rehabilitation financing for multi-family housing projects. Because interest paid on the bonds is exempt from federal and state income tax, bondholders will accept a below-market yield from the bonds. These savings are, in turn, passed on to the project owner in the form of a below-market rate loan, with interest rates approximately one to two percent below prevailing market rates. In general recipients of bond financing are required to undertake rehabilitation work and set aside units for rental to families earning less than 50 percent of the area median income, adjusted for family size.

Project rehabilitation. Existing projects financed with tax-exempt mortgage revenue bonds are required to undertake rehabilitation with a value of at least 15 percent of the acquisition cost of the subject property's improvements (that is, total project acquisition cost, minus value of the land). As part of the Agency's mortgage revenue bond policies, all acquisition and rehabilitation projects financed with tax-exempt bonds must conform to standards requiring: 1) that all health and safety deficiencies existing on-site be corrected; and 2) that major systems have expected lives of 15 years or more upon completion of the rehabilitation, or that adequate reserves be established and funded to replace the systems as needed. Staff has evaluated and determined that the proposed rehabilitation scope of work meets these recently adopted mortgage revenue bond policies.

Low-income Set-aside Requirements. As a condition for receiving the benefits of this below-market rate financing, federal law requires that project units be set aside for targeted income groups for at least 15 years. The set-aside requirements are: at least 20 percent of projects' total units rented to households earning 50 percent or below of the area median income; or alternately, 40 percent of project units rented to households at or below 60 percent of area median. Pursuant to Agency policy, the former will be required for Countrywood Village. State law further requires that monthly rents for the set-aside units be limited to 30 percent of the targeted group's monthly income, adjusted for household size. The project's set-aside requirements will be specified in a regulatory agreement between the Housing Authority and the developer, to be executed upon closing of the bond sale. The maximum income and rent levels projected in connection with these set-asides are shown in Attachment III.

Twenty percent of the units in this project are covered by project based Section 8 contracts which are expiring. The owner will terminate the project-based contracts and will agree to accept tenant-based Section 8 certificates for the term of the bond issue.

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 mortgage revenue bonds. (Refunding bond issues and bonds issued on behalf of qualified

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501(c)(3) nonprofit organizations do not require CDLAC authorization.) Staff has submitted an application for consideration in the second funding round this year, which was July 5, 2000. If approved, the bond authority to be drawn against CDLAC's 2000 volume cap on behalf of Countrywood Village Apartments will be an amount not exceeding \$11,200,000.

Project Inducement. On June 20, 2000, the City Council adopted an "inducement" resolution that is required by CDLAC to issue the bonds. An inducement allowed the Developer to be reimbursed, from bond issue proceeds, for acquisition and rehabilitation expenses that it has and will incur.

### **FINANCIAL CONSIDERATIONS**

Adoption of the attached resolutions will not result in any direct financial impact to the City or the Housing Authority. The Developer will be responsible for payment of a processing fee and posting of a one-half percent performance deposit required by CDLAC. Staff will report back with specific financial considerations of the proposed bond financing which will include the Agency's collection of fees, both upon sale of the bonds and also semi-annually for the term of low-income set-aside requirements. Mortgage revenue bonds, in general, do not represent a financial obligation of the Housing Authority of the City of Sacramento.

### **POLICY CONSIDERATIONS**

The issuance of mortgage revenue bonds is consistent with previously approved policy and the Agency's goals of promoting the development of affordable housing countywide.

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**ENVIRONMENTAL REVIEW**

The proposed actions do not constitute projects under CEQA per Guidelines Section 15378 (b)(3); NEPA does not apply. Rehabilitation and permanent financing of the project is exempt from CEQA per Guidelines Section 15301 and 15310.

**M/WBE CONSIDERATIONS**

M/WBE considerations are not applicable to the actions recommended in this report.

Respectfully submitted,



ANNE M. MOORE  
Executive Director

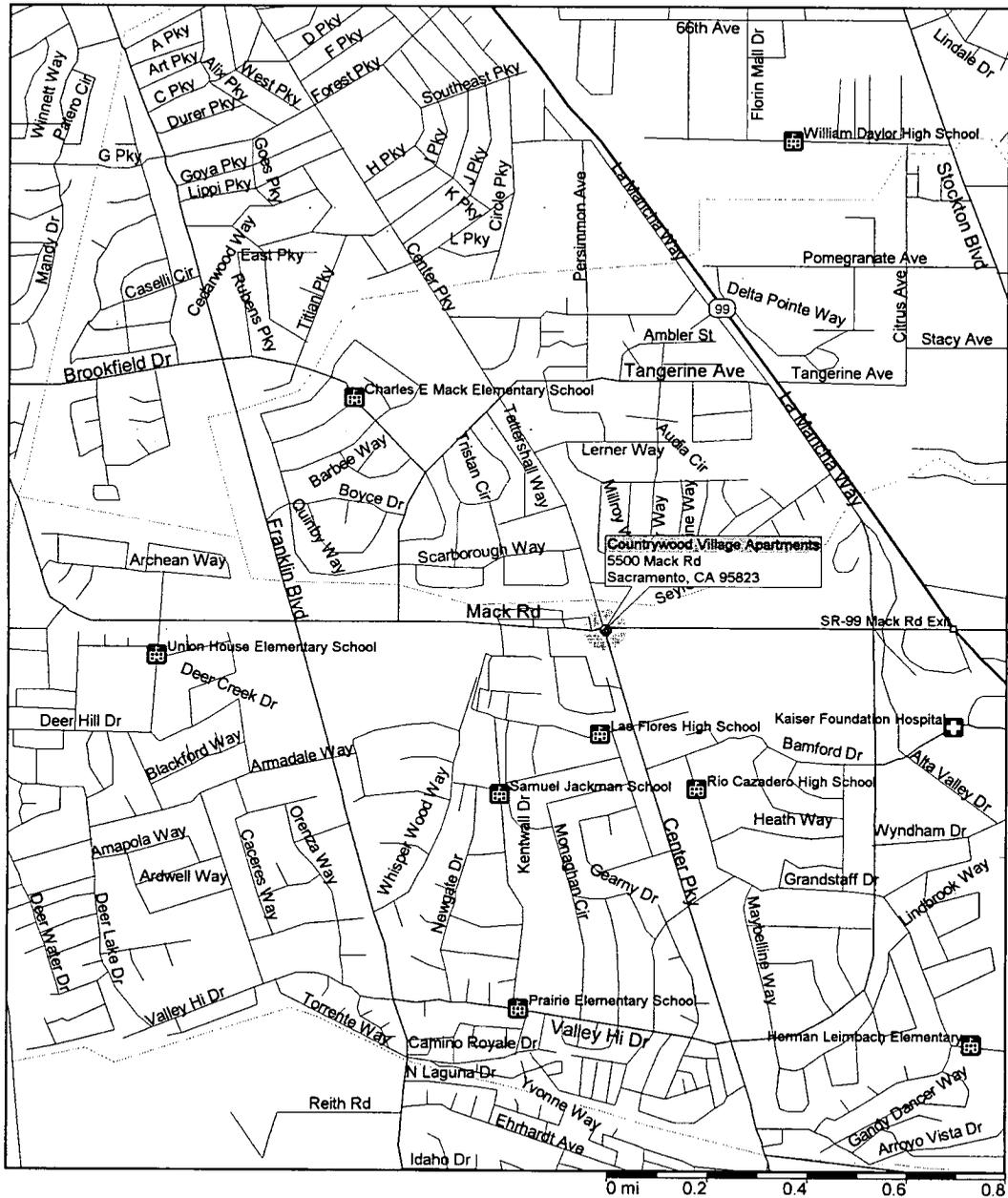
Transmittal approved,



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ROBERT P. THOMAS  
City Manager

### Countrywood Village Apartments 5500 Mack Road



## DEVELOPER'S PRELIMINARY PROPOSAL

		<b>Countrywood Village Apartments</b>			
<b>Address</b> Number of Units Year Built		5500 Mack Road 292 1982			
<b>Affordability</b>		20% of units @ or below 50% of median 80% of units @ or below 60% of median			
<b>Unit Mix and Rents</b>		<b>PROPOSED RENTS</b>		<b>MAXIMUM RENTS</b>	
		<b>50% Median</b>	<b>60% Median</b>	<b>50% Median</b>	<b>60% Median</b>
	1 BD / 1BA	\$495	\$495	\$529	\$595
	2 BD / 1 BA	\$570	\$570	\$595	\$661
	2 BD / 2 BA	\$595	\$595	\$595	\$661
<b>Square Footage</b>					
	1 BD	630			
	2 BD	838-856			
<b>Resident Facilities</b>		Two swimming pools, tennis court, covered parking. Two tot lots and community room (1,500 sq. ft.) to be constructed.			
<b>Sources and Uses of Funds</b>					
<b>Sources</b>					
			<i>Per Unit</i>	<i>Per Square Foot</i>	
	Bond Proceeds	\$ 11,200,000	\$ 38,356	50.46	
	Investor Equity	\$ 3,421,049	\$ 11,716	15.41	
	Developer Equity	\$ 101,178	\$ 347	0.46	
	Developer Fee Note	\$ 464,364	\$ 1,590	2.09	
	Agency Loan	\$ 700,000	\$ 2,397	3.15	
	<b>Total Sources of Funds</b>	<b>\$ 15,886,591</b>	<b>\$ 54,406</b>	<b>\$ 71.58</b>	
<b>Uses</b>					
			<i>Per Unit</i>	<i>Per Square Foot</i>	
	Property Acquisition	\$ 10,800,000	\$ 36,986	\$ 48.66	
	Construction	\$ 2,781,961	\$ 9,527	\$ 12.53	
	Contractor Overhead/Profit	\$ 219,000	\$ 750	\$ 0.99	
	Bond Financing Costs	\$ 430,899	\$ 1,476	\$ 1.94	
	Legal/Title/Taxes/Insurance	\$ 54,200	\$ 186	\$ 0.24	
	Architectural/Engineering	\$ 2,800	\$ 10	\$ 0.01	
	Operating Reserves	\$ 196,490	\$ 673	\$ 0.89	
	Tax Credit Costs	\$ 169,220	\$ 580	\$ 0.76	
	Contingency	\$ 308,039	\$ 1,055	\$ 1.39	
	Developer Fee	\$ 923,982	\$ 3,164	\$ 4.16	
	<b>Total Uses of Funds</b>	<b>\$ 15,886,591</b>	<b>\$ 54,406</b>	<b>\$ 71.58</b>	
<b>Management - Operations</b>					
	Proposed Developer	Pacific American Properties			
	Property Management Company	Jon Berkley Management			
	Operations Budget (Total / Per Unit)	\$ 716,689	\$ 2,454		
	Operating and Replacement Reserves (Total / Per Unit)	\$ 87,600	\$ 300		
	Letter of Credit Provided By:	Fannie Mae - AAA Rated			
	Tax Credit Investor	To be determined			

## Maximum Rent and Income Restrictions

### Mortgage Revenue Bond Program

(20% of units set aside for tenants at or below 50% of area median income(AMI))

Maximum Income Limits:	
<u>Family Size</u>	<u>50% AMI Max. Income</u>
1 person	\$ 18,500
2 person	\$ 21,150
3 person	\$ 23,800
4 person	\$ 26,450

Maximum Rent Limits:	
<u>Unit Size</u>	<u>Rent</u>
1 Bedroom	\$ 529
2 Bedroom	\$ 595

### Four Percent Low-Income Housing Tax Credit Program

(Rents @ 60% of area median income less a utility allowance)

Maximum Income Limits:	
<u>Family Size</u>	<u>60% AMI Max. Income</u>
1 person	\$ 22,200
2 person	\$ 25,380
3 person	\$ 28,560
4 person	\$ 31,740
5 person	\$ 34,260

Maximum Rent Limits:	
<u>Unit Size</u>	<u>Approx. Net Rent</u>
1 Bedroom	\$ 557
2 Bedroom	\$ 661



**RESOLUTION NO. 2006-441**

**ADOPTED BY THE SACRAMENTO CITY COUNCIL**

ON DATE OF

**APPROVAL OF ISSUANCE OF TAX-EXEMPT OBLIGATIONS AND DIRECTING CERTAIN RELATED ACTIONS**

WHEREAS, the Housing Authority of the City of Sacramento (the "Issuer") intends to issue tax-exempt obligations (the "Obligations") for the purpose, among other things, of making a loan to Countrywood Village Associates, a California limited partnership, or such other limited partnership or limited liability company as may be established by Pacific American Properties Inc. (the "Developer"), the proceeds of which shall be used by the Developer to finance the acquisition, rehabilitation and development of a multifamily housing rental facility to be located at 5500 Mack Road, Sacramento, California and to be commonly known as Countrywood Village (the "Project"); and

WHEREAS, 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 very low income tenants; and

WHEREAS, 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

WHEREAS, this City Council is the elected legislative body of the City; and

WHEREAS, 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

WHEREAS, 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

WHEREAS, it is in the public interest and for the public benefit that the City approve the issuance and delivery of the Obligations for the purpose of financing the acquisition, construction and development of the Project;

WHEREAS, the City shall not have any liability for the repayment of the Obligations or any responsibility for the Project;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO:

1. The City finds and determines that the foregoing recitals are true and correct.
2. Solely for the purpose of fulfilling the requirement of Section 147(f) of the Code, the City approves the issuance and delivery of the Obligations.

**FOR CITY CLERK USE ONLY**

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_ (9)

3. This resolution shall take effect upon its adoption.

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

\_\_\_\_\_  
FOR CITY CLERK USE ONLY

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_