

RESOLUTION NO. 82-009

Adopted by the Administration, Investment and
Fiscal Management Board on October 18, 1982

A RESOLUTION SUPPLEMENTING THE SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
GUIDELINES FOR THE SUBMISSION OF COMMERCIAL AND INDUSTRIAL LOANS

BE IT RESOLVED by the Administration, Investment and Fiscal Management Board
that the Guidelines for Submission of Commercial and Industrial Loans heretofore
adopted by the Board are supplemented as follows:

Section 1.

Section "A. General Guidelines", shall have added to it
the following provision:


"The system will not consider a loan submission unless the
Board is presented with all data required by these guidelines,
and unless 60 to 70% or more of the proposed project is
leased to tenants meeting the requirements of these guidelines."

Section 2.

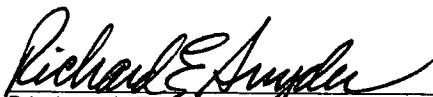
Section "J. Information Required When Making Loan Submissions"
at subsection (d) (1), shall have the following sentence added:
"A lease analysis or lease profile in a form acceptable to
the System's legal counsel may be submitted in lieu of actual
leases or the summary sheet specified above."

Section 3.

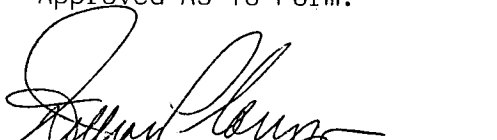
The Retirement System Manager is directed to issue revised
guidelines to reflect the changes adopted in this resolution.


Ralph W. D'Agostini
Chairman

Attest:


Richard E. Snyder
Retirement System Manager

Approved As To Form:


William P. Carozzo
Deputy City Attorney

SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
GUIDELINES FOR THE SUBMISSION OF
COMMERCIAL AND INDUSTRIAL LOANS

THE SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM WILL CONSIDER ONLY THOSE LOANS THAT ARE IN COMPLIANCE WITH EXISTING FEDERAL AND STATE LAWS GOVERNING THE ISSUANCE OF SUCH LOANS.

A. General Guidelines

The System will consider deed of trust loans and sale-leaseback investments in office buildings, warehouses, industrial buildings, commercial buildings, shopping centers, and similar projects.

The System will not consider deed of trust loans on raw land or other speculative investments.

The System will not consider a loan submission unless the Administration, Investment and Fiscal Management Board is presented with all data required by these guidelines, and unless 60% to 70% or more of the proposed project is leased to tenants meeting the requirements of these guidelines.

In general, loans will be confined to those secured by real property in California, with preference in northern California.

B. Loan Amount

In general, the System will consider loans ranging from \$100,000 to an amount not to exceed 10 percent of the total invested assets of the System.

In general, on qualified submissions the System will consider lending up to 75 percent of the appraisal value. However, on certain national tenants and under certain conditions, a higher loan to value may be considered.

In all cases the economic value must support the loan, and the physical value must be established as appropriate to the amount of the loan.

C. Term of Loan

The System will accept applications for loans up to 35 years. In general, in the case of leased properties, the lease must not expire before the maturity date of the loan. Exceptions to this requirement can be made, with prior Board approval, where exceptional or unusual circumstances exist.

Where the land on a loan is held under a long-term subordinated ground lease, such lease must have a term at least ten (10) years longer than the loan term.

D. Loan-Servicing Fees

The System will pay loan-servicing fees on a negotiated basis. A mortgage loan-servicing firm shall be a recognized and established firm, of sufficient capital, reputation and expertise to service the mortgage for its firm.

In each instance a written agreement shall be executed with the mortgage loan-servicing firm delineating the terms and conditions under which such firm is to service the loan on behalf of the System.

E. Loan Proposals

Loan originators shall submit to the System's consultant a complete loan package proposal. The consultant shall screen all such submissions for compliance with these guidelines and shall review same in accordance with the terms of the consultant's agreement with the System. The consultant shall have discretion to recommend changes in the proposal and to request all such information as is deemed necessary to evaluate the proposal. The consultant shall promptly advise the originator as to whether or not the proposal or a revision thereof is within the System's guidelines.

Those proposals which the consultant determines to be within these guidelines, and which the consultant determines to be appropriate and prudent economic investments for the System, shall be presented to the Board for action at its next regular meeting or a special meeting called for that purpose.

F. Origination Fees

The System shall not be responsible for loan origination or related fees, or for any cost, fees, refunds or charges of any kind in connection with loan proposals and requests.

G. Acceleration Clause

Each loan proposal shall provide for a standard acceleration clause in case of default, sale, refinance or encumbrance transfer of any sort.

H. Loan Commitment

If the Board approves a loan transaction, such approval shall be conditioned upon drafting and execution of a written loan commitment document. The following shall apply to any such written loan commitment:

1. "Lock in" provisions and prepayment clauses which are standard in comparable loan transactions involving institutional lenders shall be required.

2. Prior to execution, the commitment shall be submitted to legal counsel employed by the System for review and recommendation. Legal fees for such counsel shall be paid by the party to whom the commitment is directed.

3. Nonrefundable commitment fees may be required. Where required, such fees shall be taken into consideration in making yield computations.

4. The System's consultant shall have discretion to require the commitment to contain such other provisions as will protect and secure the interests of the System.

5. A refundable standby fee in an amount suitable to the term of the commitment may be required, or a tri-party agreement will be required between the borrower, construction lender, and the System, insuring delivery of the loan to the System.

I. Loan Amortization Schedule; Impounds; Late Payments

The amortization schedule on the loan shall provide for full amortization in level payments over the term of the lease on the property. Exception to this requirement may be made with Board approval, but in such cases the balance of the loan shall be due and payable in full at the expiration of the lease.

Provisions shall be included for levy of late-payment damages.

J. Information Required When Making Loan Submissions

1. An application form, completed in a manner satisfactory to the System's consultant, must be submitted.

2. The application must be accompanied by a complete and up-to-date appraisal of the property done preferably by a Member, Appraisal Institute. The appraisal must include, but shall not be limited to, the following information:

a. If the borrower is a business, a current audited financial statement is required. Financial statements should clearly indicate availability of equity money and the ability to pay the requested loan, as well as all other operational expenses of the business and the property.

b. Credit report: A Dun & Bradstreet report and bank references are required. Cost of such reports is to be paid by applicants.

c. For commercial and industrial buildings, a credit report, bank references, and Dun & Bradstreet report on all tenants, other than recognized rated national tenants which have a rating of A or better with Standard & Poor or Moody.

d. For commercial and industrial buildings, a file containing:

(1) Copies of each tenant lease for review by legal counsel, together with a lease summary sheet depicting tenant's names and addresses; square footage leased to each tenant; rentals; lease term; services or utilities paid by owners, if any; tax and assessment liability; vacancies, if any; insurance provisions; and maintenance and repair obligations. A lease analysis or lease profile in a form acceptable to the System's legal counsel may be submitted in lieu of actual leases or the summary sheet specified above.

(2) If applicant is a partnership, a copy of all partnership documents and agreements and, if a limited partnership, a copy of the certificate of limited partnership and any amendments thereto, with recordation data.

(3) If applicant is a corporation, a corporate resolution authorizing borrowing of money secured by real property.

(4) Where the loan as proposed is for "take out" purposes, a copy of all commitment and loan transaction documents on the interim financing.

e. A preliminary title report.

f. Photographs of the real property which will form the System's security interest, and the surrounding area.

g. Vacancy figures for the city or area.

h. A map of the city or area showing location of the subject building and competing buildings.

i. Background information on each tenant.

j. Evidence of compliance with applicable zoning and land use regulations, and environmental laws and regulations.

3. A set of complete working plans and specifications, and cost estimate of proposed construction.

4. Any other relevant information which the applicant deems appropriate, or which may be required by the System's consultant, shall be submitted as an attachment to the application.