



**Sacramento
Housing &
Redevelopment
Agency**

3.6

June 7, 2000

City Council and Housing Authority
of the City of Sacramento
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 resolutions which:

- 1) indicates the willingness of the Housing Authority of the City of Sacramento to issue \$11,200,000 in tax-exempt mortgage revenue bonds to provide acquisition, rehabilitation, and permanent financing for the Countrywood Village Apartments multi-family rental project located within the City of Sacramento;
- 2) signifies the City Council of the City of Sacramento held a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing, and
- 3) authorizes an application to the California Debt Limit Allocation Committee for allocation authority to issue the bonds.

CONTACT PERSONS

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

FOR COUNCIL MEETING OF June 20, 2000

SUMMARY

This report presents for adoption the attached resolutions to: 1) indicate the Housing Authority's intent to issue mortgage revenue bonds to provide acquisition, rehabilitation, and permanent

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financing for the Countrywood Village Apartments; 2) the City Council of the City of Sacramento conduct a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing, and 3) authorizes application to the California Debt Limit Allocation Committee for authority to issue the bonds. These actions 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 resolutions. The votes were as follows:

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 and Attachment III.

The Developer proposes to renovate this 18-year old complex to cure deferred maintenance items and bring it up to current market standards. The Developer proposes to undertake rehabilitation on-site totaling \$2,190,000 or \$7,500 per unit. The proposed scope of rehabilitation includes roofing, siding repairs (approx. 50% of the exterior), landscaping enhancement, new hot water boilers, dryrot and termite repair work, exterior painting, construction of two tot lots, a 1,500 square foot community building, BBQ grills, picnic tables and benches, and a half-court basketball court and roller hockey surface to replace the existing tennis 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.

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In addition to these physical improvements the property will offer resident services to the tenants of the community including homework assistance, computer instruction, and English as a Second Language classes. Threshold Housing, a local non-profit housing development corporation, will provide these services. The Developer will discuss with SETA the possibility to locate at HeadStart Day Care facility on-site in the newly constructed community building.

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.

As a public entity, the Authority can issue tax-exempt bonds, the proceeds of which 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 multi-family lending policies adopted by the Council in January 2000, 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 Wedgewood Commons. 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

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executed upon closing of the bond sale. The maximum income and rent levels projected in connection with these set-asides are shown in Attachment IV.

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 501(c)(3) nonprofit organizations do not require CDLAC authorization.) Staff proposes to submit an application for consideration in the second funding round this year. 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. Prior to granting bond allocation, CDLAC will require 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 and rehabilitation expenses that it has and will incur. Staff thus recommends that the City, acting as the Housing Authority, adopt a resolution to indicate its intent to issue bonds to finance the Developer's purchase and rehabilitation of the project. Adoption of the resolution will not bind the City to issue bonds until and unless all other necessary actions are taken in accordance with all applicable laws. Staff will return to the Council prior to bond issuance with final details on the project's overall financing plan, rehabilitation, regulatory agreement, fees that will be due the Agency, and approval of the bond documents.

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,

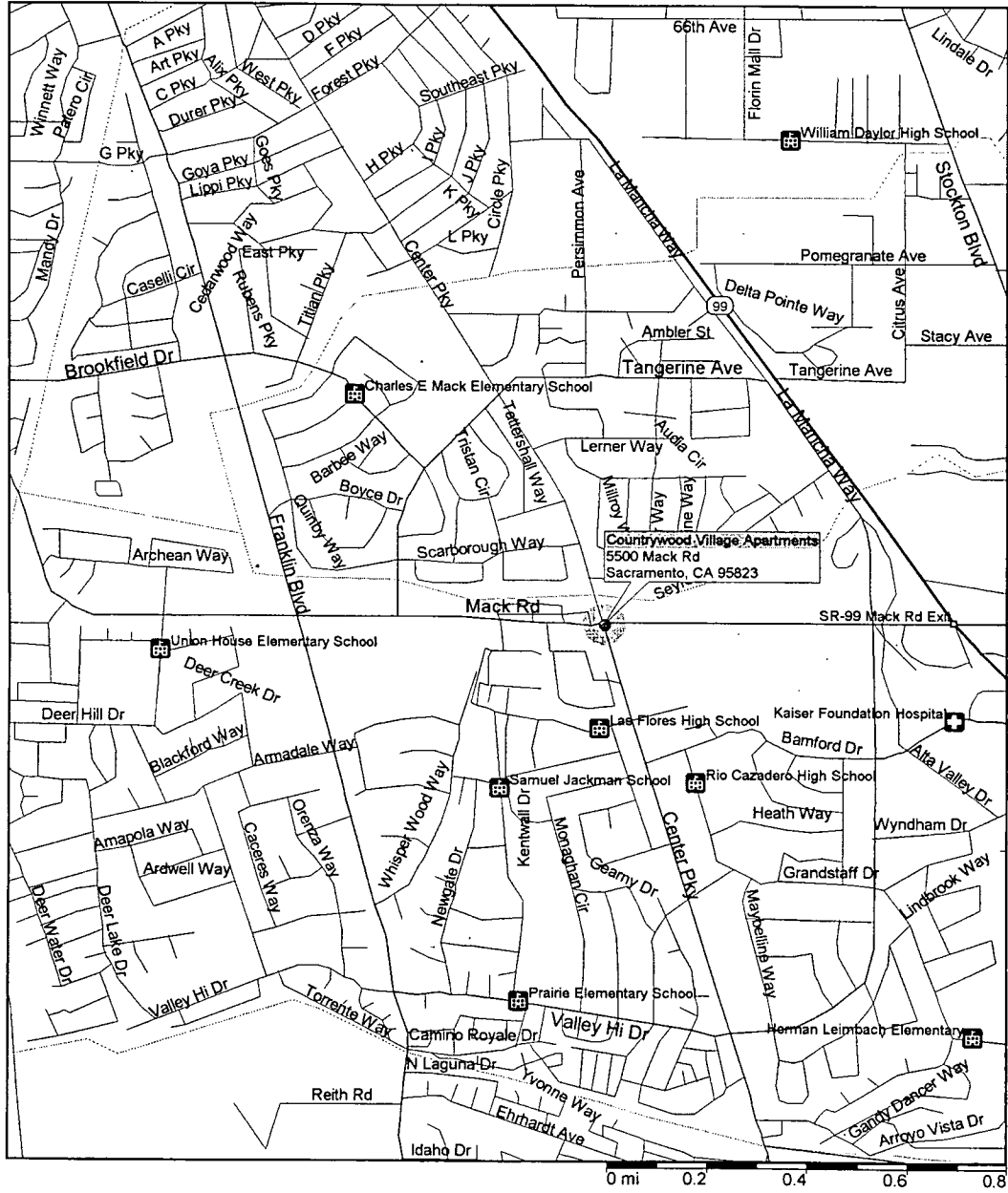

ANNE M. MOORE
Executive Director

Transmittal approved,



ROBERT P. THOMAS
City Manager

Countrywood Village Apartments 5500 Mack Road



DEVELOPER'S PRELIMINARY PROPOSAL

		Countrywood Village Apartments			
Address Number of Units Year Built		5500 Mack Road 292 1982			
Affordability		20% of units @ or below 50% of median 80% of units @ or below 60% of median			
Unit Mix and Rents		PROPOSED RENTS		MAXIMUM RENTS	
		50% Median	60% Median	50% Median	60% Median
	1 BD / 1BA	\$495	\$495	\$529	\$595
	2 BD / 1 BA	\$570	\$570	\$595	\$661
	2 BD / 2 BA	\$595	\$595	\$595	\$661
Square Footage					
	1 BD	630			
	2 BD	838-856			
Resident Facilities		Two swimming pools, tennis court, covered parking. Two tot lots and community room (1,500 sq. ft.) to be constructed.			
Sources and Uses of Funds					
Sources					
			<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	
	Total Sources of Funds	\$ 15,186,591	\$ 52,009	68.43	
Uses					
			<i>Per Unit</i>	<i>Per Square Foot</i>	
	Property Acquisition	\$ 10,800,000	\$ 36,986	\$ 48.66	
	Construction	\$ 2,081,961	\$ 7,130	\$ 9.38	
	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	
	Total Uses of Funds	\$ 15,186,591	\$ 52,009	\$ 68.43	
Management - Operations					
	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			

Countrywood Village Apartments

Bond Financing:

\$11,000,000 @ 7.49%, 30 year amortization

Unit Type	Number	Square Foot	Total Sq.Ft.	Monthly Rent (Net)	Per Sq. Ft.	Gross Annl. Rent
1 Bedroom / 1 Bath - 50% median	29	630	18,270	\$ 495	\$ 0.79	\$ 172,260
1 Bedroom / 1 Bath - 60% median	117	630	73,710	\$ 495	\$ 0.79	\$ 694,980
2 Bedroom / 1 Bath - 50% median	15	838	12,570	\$ 570	\$ 0.68	\$ 102,600
2 Bedroom / 1 Bath - 60% median	58	838	48,604	\$ 570	\$ 0.68	\$ 396,720
2 Bedroom / 2 Bath - 50% median	15	856	12,840	\$ 595	\$ 0.70	\$ 107,100
2 Bedroom / 2 Bath - 60% median	58	856	49,648	\$ 595	\$ 0.70	\$ 414,120
Total / Average	292	695	215,642	\$ 553	\$ 0.72	\$ 1,887,780

	Increase / Yr	Per Unit	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
Annualized Gross Income	2.5%	\$ 6,465	\$ 1,887,780	\$ 1,934,975	\$ 1,983,349	\$ 2,032,933	\$ 2,083,756	\$ 2,357,579	\$ 2,667,384	\$ 3,017,900	\$ 3,414,477	\$ 3,863,167
Other Income	2.5%	\$ 315	\$ 91,980	\$ 94,280	\$ 96,636	\$ 99,052	\$ 101,529	\$ 114,870	\$ 129,965	\$ 147,044	\$ 166,367	\$ 188,229
Vacancy / Concessions / Employee (6%)		\$ (407)	\$ (118,786)	\$ (96,749)	\$ (99,167)	\$ (101,647)	\$ (104,188)	\$ (117,879)	\$ (133,369)	\$ (150,895)	\$ (170,724)	\$ (193,158)
Effective Gross Income		\$ 6,373	\$ 1,860,974	\$ 1,932,505	\$ 1,980,818	\$ 2,030,338	\$ 2,081,097	\$ 2,354,570	\$ 2,663,980	\$ 3,014,049	\$ 3,410,119	\$ 3,858,237
Expenses												
Operating and Maintenance	3.5%	\$ 2,571	\$ 750,643	\$ 776,916	\$ 804,108	\$ 832,251	\$ 861,380	\$ 1,023,049	\$ 1,215,062	\$ 1,443,112	\$ 1,713,965	\$ 2,035,652
Prop. Taxes incl. 20% Payment in Lieu	2.0%	\$ 162	\$ 47,341	\$ 48,288	\$ 49,254	\$ 50,239	\$ 51,243	\$ 56,577	\$ 62,465	\$ 68,967	\$ 76,145	\$ 84,070
Capital Expenditures & Reserves	5.0%	\$ -	\$ -	\$ 43,800	\$ 87,600	\$ 91,980	\$ 96,579	\$ 123,262	\$ 157,317	\$ 200,781	\$ 256,253	\$ 327,051
Total Expenses		\$ 2,733	\$ 797,984	\$ 869,003	\$ 940,961	\$ 974,470	\$ 1,009,203	\$ 1,202,888	\$ 1,434,844	\$ 1,712,860	\$ 2,046,362	\$ 2,446,773
Net Operating Income		\$ 3,640	\$ 1,062,990	\$ 1,063,502	\$ 1,039,857	\$ 1,055,868	\$ 1,071,894	\$ 1,151,682	\$ 1,229,136	\$ 1,301,189	\$ 1,363,757	\$ 1,411,464
Debt Service - Tax-exempt Bonds		\$ 3,158	\$ 922,059	\$ 922,059	\$ 922,059	\$ 922,059	\$ 922,059	\$ 922,059	\$ 922,059	\$ 922,059	\$ 922,059	\$ 922,059
Debt Coverage Ratio- Tax Exempt Bonds			1.15	1.15	1.13	1.15	1.16	1.25	1.33	1.41	1.48	1.53
Cash Flow after Scheduled Debt Service		\$ 140,931	\$ 141,443	\$ 117,797	\$ 133,809	\$ 149,835	\$ 229,622	\$ 307,076	\$ 379,129	\$ 441,698	\$ 489,404	
Developer Fee Note		\$ 750,252	\$ 728,553	\$ 705,188	\$ 692,126	\$ 670,210	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest @ 6.5%		\$ 48,766	\$ 47,356	\$ 45,837	\$ 44,988	\$ 43,564	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payment from Cash Flow After Debt Service		\$ 70,465	\$ 70,721	\$ 58,899	\$ 66,904	\$ 74,917	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash Available for Distribution		\$ 70,465	\$ 70,721	\$ 58,899	\$ 66,904	\$ 74,917	\$ 229,622	\$ 307,076	\$ 379,129	\$ 441,698	\$ 489,404	

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

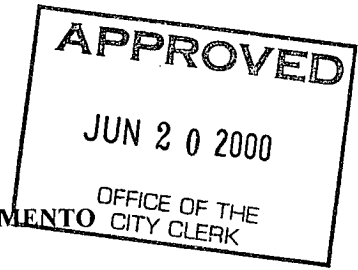
Maximum Rent Limits:	
<u>Unit Size</u>	<u>Rent</u>
1 Bedroom	\$ 529
2 Bedroom	\$ 595

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>	60% AMI <u>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. 2000-086

ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

ON DATE OF

DECLARATION OF INTENTION TO REIMBURSE EXPENDITURES FROM THE PROCEEDS OF TAX-EXEMPT OBLIGATIONS AND DIRECTING CERTAIN ACTIONS

WHEREAS, the Housing Authority of the City of Sacramento (the "Authority") intends to issue tax-exempt obligations (the "Obligations") for the purpose, among other things, of making a loan to Countrywood Village Apartments, a California limited partnership (the "Developer"), the proceeds of which shall be used by the Developer to finance the acquisition, rehabilitation and development of a 292-unit multifamily housing facility to be located at 5500 Mack Road, Sacramento, California and to be commonly known as Countrywood Village Apartments (the "Project"); and

WHEREAS, 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; and

WHEREAS, it is in the public interest and for the public benefit that the Authority declare its official intent to reimburse the expenditures referenced herein;

NOW, THEREFORE, BE IT RESOLVED that the Housing Authority of the County of Sacramento DECLARES and ORDERS as follows:

1. The Authority intends to issue the Obligations for the purpose of paying the costs of financing the acquisition, construction and development of the Project.
2. The Authority declares that it reasonably expects that a portion of the proceeds of the Obligations will be used for reimbursement of expenditures for the acquisition, construction and development of the Project that are paid before the date of initial execution and delivery of the Obligations.

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____ (10)

3. The maximum amount of proceeds of the Obligations to be used for reimbursement of expenditures for the acquisition, construction and development of the Project that are paid before the date of initial execution and delivery of the Obligations is not to exceed \$11,200,000.

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 construction of the Project that are expected to be reimbursed from the proceeds of the Obligations.

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.

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.

7. The appropriate officers or staff of the Authority are 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.

8. The adoption of this Resolution shall not obligate (i) the Authority to provide financing to the Developer for the acquisition, construction and development of the Project or to issue the Obligations for purposes of such financing; or (ii) the Authority, 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, development or operation of the Project.

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

9. This resolution shall take effect immediately upon its adoption.

On a motion by Member _____, seconded by Member _____, the foregoing Resolution was passed and adopted by the Housing Authority of the County of Sacramento, State of California, this _____ day of _____, 2000, by the following vote, to wit:

AYES:

NOES:

ABSENT:

CHAIR

ATTEST:

CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____ (12)

RESOLUTION NO. 2000-368

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;

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

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.
3. This resolution shall take effect upon its adoption.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____