REPORT TO COUNCIL AND SACRAMENTO CITY FINANCING AUTHORITY

City of Sacramento

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

Public Hearing
September 21, 2010

Honorable Mayor and Members of the City Council
Chair and Members of the Sacramento City Financing Authority

Title: Hotel Berry Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing

Location/Council District: 729 L Street; Council District 1; Merged Downtown Sacramento Redevelopment Project Area

Recommendation: Adopt: 1) a **City Council Resolution** a) indicating that, pursuant to Section 147(f) of the Internal Revenue Service Code (IRS Code), the City Council has, following notice duly given, held a public hearing regarding the deemed reissuance for federal tax purposes of a portion of the Sacramento City Financing Authority (Authority) 2005 Tax Allocation Revenue Bonds, Series A (Merged Downtown and Oak Park Projects) in an amount not to exceed $10,000,000 allocable to the Hotel Berry project (Allocable Bonds), and has approved the deemed reissuance for federal tax purposes of the Allocable Bonds by the Authority; and b) indicating that the City Council has conducted a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing for the proposed construction and permanent financing of the project; and **2)** a **Sacramento City Financing Authority Resolution** a) authorizing the deemed reissuance for federal tax purposes of the Allocable Bonds in an aggregate principal amount not to exceed $10,000,000; and b) authorizing the officers of the Authority to take certain actions in connection therewith.

Contact: Christine Weichert, Assistant Director, Housing and Community Development, 916-440-1353; Jeree Glasser-Hedrick, Housing Finance Program Manager, Housing and Community Development, 916-440-1302

Presenters: Jeree Glasser-Hedrick

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: In August of 2009, the City Council held a TEFRA hearing and approved a Disposition and Development Agreement and Agency Financing Plan for the Hotel Berry renovation (Project). In September 2009, the Project was awarded nine percent tax credits through a competitive process. The Project exchanged the tax credits for an award of American Recovery and Reinvestment Act (ARRA) funds in the amount of $13,561,066 in December 2009. The ARRA award completed the Project's required financing. The necessary agreements have been executed to proceed with disposition of the property by the Redevelopment Agency to the developer Jamboree Housing Corporation (Jamboree). Jamboree will develop and own the Hotel Berry.

In July of 2010 Jamboree submitted plans to the City Building Department and anticipates receiving permits in October of 2010. Construction is expected to begin immediately after building permits are issued with completion estimated by the end of 2011. All other project approvals are in place and the Project is proceeding on schedule given the ARRA funding requirements. The last TEFRA hearing was held on August 11, 2009. Due to IRS Code requirements another TEFRA public hearing needs to be held because more than a year has elapsed. Additional information about the Project is located in Attachment 2 - Background.

Policy Considerations: The recommended action would implement Agency and City policy goals related to preservation of Single Room Occupancy (SRO) residential hotel units. Sacramento City Ordinance 2006-056 requires that the City maintain an inventory of not less than 712 residential hotel or comparable units. The Hotel Berry is the second largest of the remaining downtown residential hotels and one of nine properties that comprise the City's SRO inventory.

Environmental Considerations:

California Environmental Quality Act (CEQA): At the hearing in August 2009, the City Council adopted environmental findings consistent with CEQA for the Hotel Berry project and all associated actions. The project was found to be exempt under CEQA Guidelines Section 15301. The actions taken during this hearing are to renew TEFRA required findings. This does not impact the prior CEQA findings, nor does it constitute a substantial change with respect to the circumstances under with the project will be undertaken. Therefore, the recommended actions do not require further environmental review under CEQA Guidelines Section 15162.

Sustainability Considerations: The Project has been reviewed for consistency with the goals, policies and targets of the Sustainability Master Plan and the 2030 General Plan. If approved, the project will advance the following goals, policies and targets: (1) Goal number one – Energy Independence, specifically by reducing the use of fossil fuels, improving energy efficiency, and providing long term affordable and reliable energy, (2) Goal number three – Air Quality, specifically by reducing the number of commute trips by single occupancy vehicles and reducing vehicle miles traveled, and (3) Goal number six – Urban Design, Land Use, Green Building, and Transportation specifically by reducing dependence on the private automobile by providing efficient and accessible public transit and transit-supportive land uses, and reducing long commutes by providing a wide array of transportation and housing choices near jobs for a balanced, healthy City.

Other: The staff report for the August 2009 hearing indicated that environmental review pursuant to the National Environmental Policy Act (NEPA) was underway. Currently there are no federal funds being used that require environmental review under NEPA, nor is there any other federal nexus that would require environmental review of the project pursuant to NEPA.

Rationale for Recommendation: Approval of the recommended actions will comply with the required IRS Code requirements for TEFRA hearings. The Hotel Berry project will utilize $13.5 million of one-time stimulus ARRA funding.

The transfer of the property to Jamboree and anticipated commencement of construction in October 2010 will transform the current dilapidated residential hotel into high quality, safe, supportive, and affordable SRO housing for downtown residents.

Financial Considerations: Staff recommends approval of the deemed reissuance for federal tax purposes of Merged Downtown Allocable Bonds. This action requires no amendment to the Agency budget.

September 21, 2010

Hotel Berry Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing

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

Respectfully Submitted by: LaShelle Dozier

LA SHELLE DOZIER
Executive Director

Recommendation Approved:

Cassandra H.B. Jennings

for GUS VINA
Interim City Manager

Table of Contents

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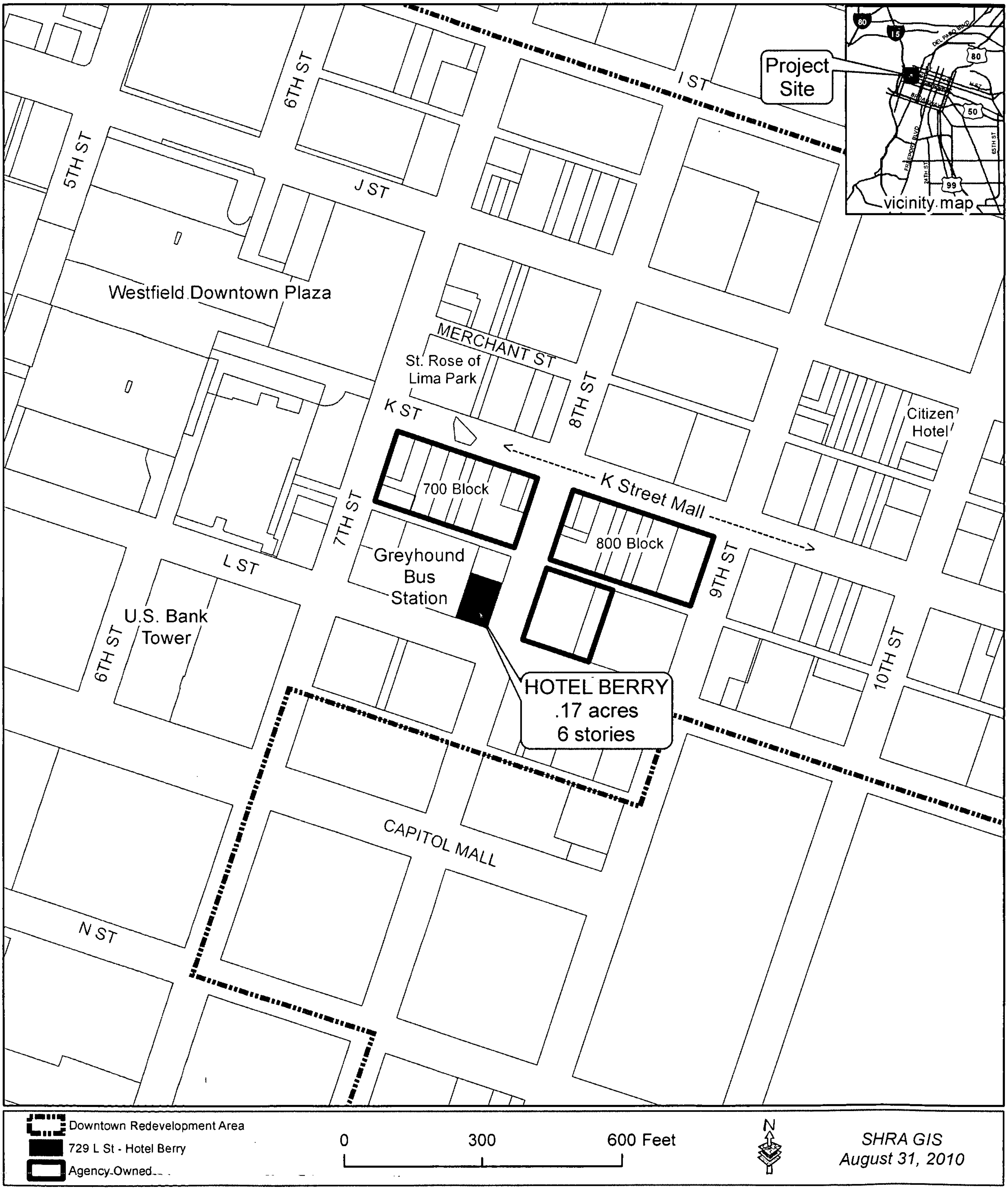
Hotel Berry
Merged Downtown Redevelopment Project Area



Background Information

Background

The Hotel Berry, located at 729 L Street, was constructed in 1929 and in recent years has been operated as a residential hotel for low-income tenants. The property is a six-story, mixed-use Single Room Occupancy (SRO) residential hotel. A City Ordinance was adopted in 2006 that includes a "No Net Loss" policy of retaining 712 SRO units.

In 2007, the Agency approved $6.1 million in financing to The Trinity Housing Foundation for property acquisition. The property was purchased by Trinity in December 2007, received a tax credit allocation in 2008 but unable to proceed due to the market collapse. In March 2009, the Agency received approval to acquire and stabilize the property financially and permanently relocate residential tenants.

In June 2009, the Agency approved the submission of a nine percent tax credit application by the Norwood Avenue Housing Corporation (NAHC), an Agency affiliated non-profit, to the Tax Credit Allocation Committee (TCAC) to take advantage of one-time affordable housing stimulus funds being allocated by the TCAC.

The Agency received approvals in August 2009 to enter into a $10,113,050 Loan and Grant Commitment (Agency Financing) and a Disposition and Development Agreement (DDA) for purposes of the nine percent tax credit application.

The Project received a nine percent tax credit allocation in September 2009. An application to exchange the nine percent tax credits for one-time ARRA exchange funds was submitted to TCAC in November 2009. The Project received an award of $13,561,066 in ARRA funds on December 16, 2009 completing the Project's financing.

In December 2009, Jamboree Housing Corporation, a California non-profit corporation (Jamboree) was selected by the Agency through a competitive RFQ process as the developer of the Hotel Berry Project.

In July 2010, agreements outlining the terms of NAHC's transfer and assignment of all its rights, title and interests in the DDA, the TCAC ARRA Award, the Agency Funding and other documents related to the contemplated development of the Hotel Berry and Jamboree's assumption were executed.

Rehabilitation Plans were submitted to the City Building Department in July 2010 and Jamboree estimates closing of construction financing and transfer of the property by the Agency in October 2010. The renovation is projected to be complete by the end of 2011.

Hotel Berry Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing

Reissuance of Bonds

The Sacramento City Financing Authority 2005 Tax Allocation Revenue Bonds, Series A (Merged Downtown and Oak Park Projects) (Bonds) were originally issued by the Authority as tax-exempt bonds for federal tax purposes. The Bonds were originally issued for multiple purposes, including the financing of certain costs associated with the Hotel Berry project. Approximately $6,850,000 of the proceeds of the Bonds has been or will be spent on costs associated with the Hotel Berry project. To maintain the tax-exempt status of the Bonds after the transfer of the Hotel Berry Project, the portion of the Bonds allocable to the Hotel Berry project will be deemed to be reissued for federal tax purposes as "Qualified 501(c)(3) Bonds."

Description of Development

The Project consists of property acquisition and rehabilitation of 104 SRO units for very-low and extremely-low income individuals. The proposed rehabilitation scope of work is based on a third party assessment of the Hotel Berry's capital improvement needs and reduced operating costs over the long-term. Proposed architectural modifications are meant to improve space programming and building mobility in a functional and cost effective manner.

Key building improvement principles include:

- Upgraded health and life safety systems
- Sustainable green building features such as energy efficient HVAC, lighting and appliances, new dual pane windows and water efficient fixtures
- New mechanical, electrical and plumbing systems
- Complete unit interior remodel including installation of a small kitchenette and upgraded bathrooms
- Reconfiguration of the ground floor to provide new management and resident services offices, enlarged lobby with 24/7 reception desk, resident lounge, resident community kitchen and dining area, laundry room, computer lab and community room with kitchen
- Seismic and structural upgrades to the building
- Improving physical mobility and accessibility for disabled persons

A corner retail store will remain. A new exit stair providing direct access to the street, trash chute and compactor, and new electrical meter and building service will reorganize the north end of the ground floor.

Ownership/Developer Structure

Jamboree Housing Corporation, a California non-profit corporation has been selected to be the Developer of the Hotel Berry. Founded in 1990, Jamboree has experienced steady growth and geographic expansion with a portfolio that includes development and/or ownership interest of nearly 6,000 affordable homes in 55 California communities. Jamboree owns and manages several affordable housing projects with fully funded, ongoing supportive services that enable residents to live in permanent housing with a stable environment. Although this will be the first project that Jamboree owns and operates in the Sacramento region, they currently provide resident services at a number of projects including Shenandoah Apartments, located in the City of Sacramento and a number of projects in the County of Sacramento including Hastings Park Apartments and Breckenridge Village Apartments. Jamboree will take ownership of the Hotel Berry as JHC - Hotel Berry, LLC. This entity is a wholly owned affiliate of Jamboree Housing Corporation.

Property Management

This project will be professionally managed by the John Stewart Company, who managed the Hotel Berry from December 2007 to December 2009 when the hotel closed temporarily. Comprehensive housing management is the foundation of the John Stewart Company's diversified housing services goal to provide secure, service oriented, well-maintained and professionally managed housing that serves the interests of residents and owners alike. The John Stewart Company is the largest private manager of supportive housing and "special needs" housing in California. These properties provide both affordable housing and specialized supportive services to a wide range of target populations. They are experienced with the requirements of the many federal and state housing program and occupancy guidelines, such as the Low Income Housing Tax Credit program, assures full compliance with Regulatory Agreements and Fair Housing requirements.

Supportive Services Plan

Supportive Services will be provided by Transitional Living and Community Support (TLCS). Tenants will access TLCS services through a full-time, Resident Services Coordinator (Coordinator) who will be responsible for assessing the needs and monitoring the progress of all tenants in need of mental health and social services. Although participation in these programs will be voluntary and free, the on-site Coordinator will implement a proactive tenant engagement and outreach program to encourage tenants to participate in TLCS service programs. The Resident Services Coordinator will be funded from the operations of the property, but will be an employee of TLCS.

Transitional Living and Community Support, Inc. (TLCS) has been providing support services and housing in Sacramento for 25 years. Its mission is to promote independent and successful community living for people with psychiatric and other disabilities. Since 2001, TLCS has operated the SRO Collaborative Project, a program whose design incorporates practices implemented in several Bay-Area counties under the Health, Housing and Integrated Services Network (HHISN) model developed by the Corporation for Supportive Housing. The SRO Collaborative is designed to support Sacramento residents living at selected downtown SRO hotels through the delivery of a range of quality, accessible services.

In addition to the TLCS Resident Services Coordinator, 10 units will be set-aside for Mental Health Services Act (MHSA) residents who are at risk of chronic homelessness. MHSA clients will receive case management services from a full service provider selected by the County Department of Mental Health.

RESOLUTION NO. 2010 -

Adopted by the Sacramento City Council

on date of

APPROVING THE DEEMED REISSUANCE BY THE SACRAMENTO CITY FINANCING AUTHORITY OF NOT TO EXCEED $10,000,000 AGGREGATE PRINCIPAL AMOUNT OF ITS PREVIOUSLY ISSUED 2005 TAX ALLOCATION REVENUE BONDS, SERIES A (MERGED DOWNTOWN AND OAK PARK PROJECTS)

BACKGROUND

A. The Sacramento City Financing Authority (the "Authority") previously issued its 2005 Tax Allocation Revenue Bonds, Series A (Merged Downtown and Oak Park Projects) (the "Bonds") as tax-exempt bonds under the Internal Revenue Code of 1986 (the "Code") for the purpose, among others, of making a loan (the "Loan") to the Redevelopment Agency of the City of Sacramento (the "Agency") for the financing by the Agency of certain redevelopment projects located within the Agency's Merged Downtown Redevelopment Project Area.

B. A portion of the proceeds of the Loan has been used to make a grant to the original developer of, and to pay certain other costs associated with, a project located at 729 L Street in the City of Sacramento, California and commonly known as the Hotel Berry (the "Project").

C. The Agency has acquired ownership of the Project from the original developer and now proposes to transfer ownership of the Project to an organization as described in Section 501(c)(3) of the Code or a limited liability company the sole corporate members of which are organizations described in Section 501(c)(3) of the Code.

D. In order to maintain the tax-exempt status of the Bonds under the Code following such transfer of the Project, the Authority and the Agency propose that the portion of the Bonds allocable to the Project in an aggregate principal amount not to exceed $10,000,000 (the "Allocable Bonds") be deemed reissued by the Authority for federal tax purposes as "Qualified 501(c)(3) Bonds" under the Code.

E. Pursuant to Section 147(f) of the Code, the Allocable Bonds will be treated for federal tax purposes as reissued by the Authority and must be approved by the City because the Project is located within the territorial limits of the City.

F. The City Council of the City (the "City Council") is the elected legislative body of the City and is one of the applicable elected representatives required to approve the deemed reissuance of the Allocable Bonds by the Authority under Section 147(f) of the Code.

G. The Authority and the Agency have requested that the City Council approve the deemed reissuance of the Allocable Bonds by the Authority in order to satisfy the public approval requirement of Section 147(f) of the Code.

H. Pursuant to Section 147(f) of the Code, the City Council has, following notice duly given, held a public hearing regarding the deemed reissuance of the Allocable Bonds by the Authority, and now desires to approve the deemed reissuance of the Allocable Bonds by the Authority.

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

Section 1. The City Council hereby approves the deemed reissuance of the Allocable Bonds by the Authority. It is the purpose and intent of the City Council that this Resolution constitute approval of the Project and the reissuance of the Allocable Bonds by the Authority for the purposes of Section 147(f) of the Code by the applicable elected representative of the governmental unit having jurisdiction over the area in which the Project is located, in accordance with said Section 147(f).

Section 2. The officers of the City, each acting alone, are hereby authorized and directed to do any and all things and to execute and deliver any and all documents which they deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this Resolution and the transaction approved hereby.

Section 3. This Resolution shall take effect from and after its passage and adoption.

Hotel Berry Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing

RESOLUTION NO. 2010 –

Adopted by the Sacramento City Financing Authority

on date of

AUTHORIZING THE DEEMED REISSUANCE OF NOT TO EXCEED $10,000,000 AGGREGATE PRINCIPAL AMOUNT OF PREVIOUSLY ISSUED SACRAMENTO CITY FINANCING AUTHORITY 2005 TAX ALLOCATION REVENUE BONDS, SERIES A (MERGED DOWNTOWN AND OAK PARK PROJECTS) AND CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

BACKGROUND

A. The Sacramento City Financing Authority (the "Authority") is a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California.

B. The Authority previously issued its 2005 Tax Allocation Revenue Bonds, Series A (Merged Downtown and Oak Park Projects) (the "Bonds") as tax-exempt bonds under the Internal Revenue Code of 1986 (the "Code") for the purpose, among others, of making a loan (the "Loan") to the Redevelopment Agency of the City of Sacramento (the "Agency") for the financing by the Agency of certain redevelopment projects located within the Agency's Merged Downtown Redevelopment Project Area.

C. A portion of the proceeds of the Loan has been used to make a grant to the original developer of, and to pay certain other costs associated with, a project located at 729 L Street in the City of Sacramento, California and commonly known as the Hotel Berry (the "Project").

D. The Agency has acquired ownership of the Project from the original developer and now proposes to transfer ownership of the Project to an organization as described in Section 501(c)(3) of the Code or a limited liability company the sole corporate members of which are organizations described in Section 501(c)(3) of the Code.

E. In order to maintain the tax-exempt status of the Bonds under the Code following such transfer of the Project, the Authority and the Agency propose that the portion of the Bonds allocable to the Project in an aggregate principal amount not to exceed $10,000,000 (the "Allocable Bonds") be deemed reissued by the Authority for federal tax purposes as "Qualified 501(c) (3) Bonds" under the Code.

F. Pursuant to Section 147(f) of the Code, the City Council of the City of Sacramento, as the applicable elected representative of the governmental unit having jurisdiction over the area in which the Project is located, has, following notice duly given, held a public hearing regarding the deemed reissuance of the Allocable Bonds by the Authority, and has approved the deemed reissuance of the Allocable Bonds by the Authority.

G. In order to effectuate the deemed reissuance of the Allocable Bonds it will be necessary for the Authority to execute and deliver a Supplemental Tax Certificate (the "Supplemental Tax Certificate") supplemental to that certain Tax Certificate, dated December 7, 2005, executed by the Authority and the Agency and certain other documents or certificates.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE SACRAMENTO CITY FINANCING AUTHORITY RESOLVES AS FOLLOWS:

Section 4. All of the above recitals are true and correct, and the Authority so finds and determines.

Section 5. The Authority hereby authorizes the deemed reissuance for federal tax purposes of the Allocable Bonds as "Qualified 501(c) (3) Bonds" under the Code.

Section 6. The officers of the Authority, each acting alone, are hereby authorized and directed to do any and all things and to execute and deliver any and all documents, including, without limitation, the Supplemental Tax Certificate, and any other documents as may be required or which they may deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this resolution, and any such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 7. This resolution shall take effect from and after its passage and adoption.