

RESOLUTION NO. 99-035

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF NOV 2 1999


**POLICY ON ISSUANCE AND ADMINISTRATION OF MULTI-FAMILY  
MORTGAGE REVENUE BOND PROJECTS**


BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF  
SACRAMENTO:

Section 1. The Multifamily Mortgage Revenue Bond Program policies and procedures attached as Attachment I ("Policy") is adopted.

Section 2. Sacramento Housing and Redevelopment Agency ("SHRA"), by action of its Executive Director, is authorized to take all actions necessary to implement the Policy.

Section 3. SHRA is authorized, by action of its Executive Director, to notify all governmental and non-profit issuers who have demonstrated interest in issuing bonds which are subject to the Policy, of the Policy and its content.

  
SECRETARY

  
VICE CHAIR

FOR CITY CLERK USE ONLY

RESOLUTION NO.: 99-035

DATE ADOPTED: NOV 2 1999

Subject: **MULTIFAMILY MORTGAGE REVENUE BOND PROGRAM**

Number:

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**1. SUMMARY**

- 1.1 Federal, state and local legislation authorizes issuance of mortgage revenue bonds by local governments to finance the development, acquisition and rehabilitation of multifamily rental projects. The interest on the bonds is exempt from federal and state taxation. As a result, bonds provide below market financing for qualified rental projects located in the City and County of Sacramento (the "City/County"). This program is administered by the Sacramento Housing and Redevelopment Agency ("Agency") and uses tax-exempt mortgage revenue bonds issued by the following entities ("Authorities"):
- Housing Authority of the City of Sacramento (the "HA City");  
 Housing Authority of the County of Sacramento (the "HA County");  
 Redevelopment Agency of the City of Sacramento (the "RA City"); and  
 Redevelopment Agency of the County of Sacramento (the "RA County").
- 1.2 The program goal is to increase and preserve the supply of affordable rental housing in the City and County of Sacramento; encourage economic integration within residential communities; maintain a quality living environment for Sacramento residents; provide tenant services to the residents of assisted projects; and when public funds are committed toward the project, leverage private sector funds to the maximum extent possible.
- 1.3 There is no direct legal liability to the City/County, the Authorities, or the Agency in connection with the issuance or repayment of bonds; there is no pledge of the City/County's, the Authorities,' or the Agency's faith, credit or taxing powers. The bonds do not constitute a general obligation of the issuer because the security for repayment of bonds is limited to specific private revenue sources, such as project revenues and other sources specified under each financing. Project loans are generally secured by a first deed of trust. The program is completely self-supporting and the developer is responsible for the payment of costs of issuance and all other costs under each financing.
- 1.4 Bonds issued under the program should generally be rated "AAA," or its equivalent, with a minimum rating being "A" or its equivalent, by the nationally recognized rating agencies listed in Section 4.5. The bonds may be used for acquisition, construction/rehabilitation, and permanent financing. The effective mortgage rate is the aggregate of the applicable bond rate and the add-on fees charged under the program, such as lender, trustee, issuer's fee, etc. The bond rate is determined at the time of a bond sale and the resulting mortgage rate is approximately 1.5% - 2% below conventional mortgage rates. The project loans generally have a 30-year amortization schedule.
- 1.5 There is no limit on the maximum loan amount. However, the minimum loan amount is determined by the overall cost effectiveness of the financing, which includes payment for the costs of issuance, services of the financing team members, rating fees, etc. The Agency will consider multiple properties as part of a single bond financing.
- 1.6 Projects must consist of complete rental units, including kitchens and bathrooms. Loan funds may be used for costs of property acquisition (up to 25% of bond proceeds), construction, improvements, architectural and engineering services, construction interest, loan fees, and other capital costs of the project incurred after the bond inducement date specified in Section 4.2. Loan funds cannot be used to acquire property from a party related to the buyer. No more than 2% of the bond loan can be used to finance the costs of issuance, such as the services of the financing team members, rating and printing of bonds, bond allocation, etc. Pursuant to federal requirements, if bonds are used for

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acquisition/rehabilitation, at least 15 percent of the portion of the acquisition cost of the building and related equipment financed with the proceeds of bonds must be used for rehabilitation of the project.

- 1.7 Acquisition and rehabilitation projects must meet minimum rehabilitation standards (see Exhibit A), health and safety standards, and 15-year useful life criteria for all major systems (see Exhibit B), and strive to accommodate ADA accessibility for individual units. Projects must have adequate facilities on-site for the intended population (community room, tot lots, open space, etc.) The rehabilitation scope of work will include an analysis of the remaining life of all major systems on the property and demonstrate adequate replacement reserves for all items.
- 1.8 Proposed developer, including any limited partner, general partner, or corporation shareholder proposed to own in excess of twenty percent, must provide resumes with qualifications to develop, own and operate the proposed project and the last three years tax returns/financial statements. Application requirements are found in Section 5.
- 1.9 If the proposed Borrower is a single asset entity, another party will be required to guarantee the Issuer's rights to indemnification under the applicable Regulatory Agreement and Loan Agreement.
- 1.10 The loans will be subject to the following requirements for transfer:  
Upon original issuance the developer must enter into an agreement that restricts any change in ownership, either addition of new partners/investors or elimination of partners/investors, without prior Agency approval. Agency staff will determine if the proposed ownership change adversely effects the project's overall financial viability. Financial, development (defaults, foreclosures), and management experience must be equal to or greater than the existing development/ownership team; otherwise change in ownership will not be allowed.
- 1.11 A comprehensive management plan must be approved by the Agency prior to inducement of the bond issue. The management plan must address rental procedures, set-aside requirements, maintenance schedule and standards, including landscaping, security measures, eviction procedures, and overall day to day operations. Upon issuance the developer must enter into an agreement which restricts the changing of property management firms without the prior written approval by the Agency.
- 1.12 Agency staff will determine the appropriate developer fee based on the complexity of the proposed project, developer equity (general or limited partner) or cash contribution, risk of the project, and acquisition price of the property, if applicable. In no circumstances may a developer fee exceed 10% of the total project costs, excluding the developer fee.
- 1.13 The Agency receives compensation for its services in preparing bond issuance by charging an issuance fee of 25 basis points of the bond issuance amount (.25%) payable at the bond closing. In addition, the Agency receives an annual administrative fee as compensation for compliance monitoring of regulatory restrictions and the administration of outstanding bonds. It is payable in advance in equal semi-annual installments of 15 basis points (.15%) of the original bond issuance amount.
2. **Types of Bonds**
- 2.1 The Authorities may issue either tax-exempt or taxable bonds. Taxable bonds would generally be issued only in combination with tax-exempt bonds. Taxable bonds do not require an allocation of bond authority from the California Debt Limit Allocation Committee (CDLAC).

**FOR CITY CLERK USE ONLY**RESOLUTION NO.: 99-035DATE ADOPTED: NOV 2 1999

Subject: MULTIFAMILY MORTGAGE REVENUE BOND PROGRAM

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Tax-Exempt Private Activity Bonds (Non-Refunding) require an allocation of bond authority from CDLAC. To obtain an allocation, the Agency must submit an application to CDLAC on behalf of the developer. Submittal of the application is at the discretion of the Agency, not the developer. The developer must pay all required CDLAC fees in advance of application submittal.

The interest on taxable bonds is not exempt from federal taxation. These bonds are not subject to federal volume "cap" limitations and therefore do not require allocation authority from CDLAC. Taxable bonds can be used in combination with 9 percent low income housing tax credits awarded by the Tax Credit Allocation Committee. Taxable bond issues must meet all applicable requirements of these Policies (including rating requirements) and any such additional regulations which may be, from time to time, promulgated by the Agency.

- 2.2 The Authorities may issue 501(c)(3) bonds on behalf of qualified not-for-profit organizations. 501(c)(3) bonds are tax-exempt but do not require an allocation from CDLAC. 501(c)(3) bonds cannot be used with the Low Income Housing Tax Credit Program. The Authorities shall only issue 501(c)(3) bonds for qualified not-for-profit organizations that are actively involved in the development and operation of multifamily projects and have adequate staff to carry out the proposed development. Not-for-profit organizations must be involved in the day to day operations of the project and have the financial ability to operate, contribute to the project, and to avoid default. They must be the final recipient of at least 70 percent of the development fee for the project. Not-for-profit organizations must be able to demonstrate development of successful projects. Board members and their immediate and extended families can not participate (profit) financially from the proposed transaction. The minimum affordability period shall be 30 years for 501(c)(3) bond issues.
- 2.2.1 Tenant services will be required of all projects, which include involvement by a non-profit owner and will be encouraged in other projects. Types of services should include after school programs for children (sports and tutoring), English as a Second Language classes (ESL), job training/development and placement assistance, day-care, summer food program, counseling, parenting classes, or other activities appropriate to the population housed. The activities will be required to be provided on a regular schedule.
- 2.3 Developments owned by not-for-profit organizations are eligible to qualify for a welfare exemption, pursuant to State law, for the payment of property taxes, and therefore the following additional requirements are specified for projects proposed to be owned by not-for-profit organizations. The not-for-profit organization must be the provider of tenant services and/or other services (management, maintenance). In addition to the required tenant services the project will be required to make a payment (approximately 20% of 1% of the assessed value after rehabilitation) in lieu of property tax payments to the County. In all circumstances the not-for-profit organization must have material and on-going involvement in the project on a day to day basis. The Agency will waive this payment in lieu of taxes requirement for projects with qualified not-for-profit organizations where the not-for-profit is the developer with limited partners being the only other ownership entity.
- 2.4 The Agency will allow refundings of bond issues that meet the following conditions:
- A. Property must be in compliance with the current Regulatory Agreement and have no major immediate repairs required to the project, as determined by Agency staff. All financing fees and other appropriate policies shall apply.
  - B. Projects must demonstrate that the proposed refunding furthers the City/County's housing goals.
  - C. The project sponsor agrees to cover all costs and financing fees of the Issuer and Agency.

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**FOR CITY CLERK USE ONLY**

RESOLUTION NO.: 99-035DATE ADOPTED: NOV 2 1999

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- D. Additional Affordability Restrictions under Restructuring of Existing Bond Issues – Additional public benefit in the form of deeper income targeting, additional rent restrictions, extension of the term of restrictions, additional number of restricted units, or any combination thereof, will be negotiated in connection with refundings or debt restructurings, including substitution of credit enhancement, of existing bond issues. The level of additional restrictions will be determined in the context of the overall financial feasibility of each financing and the financial benefit of the refunding/restructuring to the project owner. Should the bond restructuring result in an extension of the maturity of the bonds, a minimum of 10% of the units in the project will be set aside for occupancy by households whose incomes do not exceed 50% of area median income, as adjusted for family size with rents at affordable levels for 15-years from the date of the refunding/restructuring or as long as the bonds remain outstanding. The maximum rent amounts will also apply if the set-aside units are occupied by Section 8 tenants.
- E. The Agency reserves the right to impose requirements in addition to the regulatory agreement extension. All specifics of refunding proposals must be approved by the appropriate Authority.

### 3. AFFORDABILITY REQUIREMENTS

- 3.1 Term of Rental and Affordability Restrictions – The project must remain as rental housing and continuously meet the affordability requirements as provided in Sections 3.2, 3.3 and 3.4 for the longer of (a) 15-years from the date of the original issuance, (b) as long as the bonds remain outstanding, or (c) such period as may be required in the opinion of Bond Counsel to meet federal or state law. The rent of "in-place" tenants at the conclusion of the required affordability period will continue to be governed by the applicable affordability restriction, so long as those tenants continue to live in the development. The Agency reserves the right to impose additional affordability restrictions if the Agency determines it necessary to be competitive in the state allocation process. Projects that are financed with Low Income Housing Tax Credits will be required to have a 30-year affordability period.

A Regulatory Agreement containing the rental and affordability restrictions will be recorded against the property and must be complied with by subsequent owners. The Regulatory Agreement will be terminated upon expiration of restrictions or in the event of casualty loss or foreclosure, and the subsequent retirement of bonds as a result of foreclosure.

- 3.2 Income Restrictions – To be eligible for tax-exempt bond financing, **federal law** requires that the project meet one of the following conditions:
- A. A minimum of 20% of the units in the project must be set aside for occupancy by households whose incomes do not exceed 50% of area median income, as adjusted for family size; or
- B. A minimum of 40% of the units in the project must be set aside for occupancy by households whose incomes do not exceed 60% of area median income, as adjusted by family size.

At the same time, **state law** requires that a minimum of 10% of the units in the project be set aside for occupancy by households whose incomes do not exceed 50% of area median income, as adjusted for family size.

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#### FOR CITY CLERK USE ONLY

RESOLUTION NO.: 99-035DATE ADOPTED: NOV 2 1999

Subject: **MULTIFAMILY MORTGAGE REVENUE BOND PROGRAM**

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While federal law allows projects to have a minimum of 40% of the units in the project set aside to households at 60% of area median income, all projects financed under these policies will be required to have a minimum of 20% of the units in the project set aside for occupancy by households whose income does not exceed 50% of area median income.

Project owners must certify their tenants' eligibility annually. If a tenant is no longer eligible, the next available unit must be rented to a new eligible tenant and the current tenant's rent can be raised to a market level. A unit occupied only by students does not count towards the set-aside requirement.

Affordability definitions are based on the area median income for the County of Sacramento as established by the US Department of Housing and Urban Development. The median income is subject to change annually. Household size is determined by adding one person to the bedroom size of the unit.

- 3.3 Rent Restrictions – The maximum rent for the set-aside units may not exceed one-twelfth of 30% of 50% of area median income. In the event tax-exempt bonds are used with Low Income Housing Tax Credits, or any public funds, the more restrictive rents apply. The affordability of restricted units in relation to the project's market rents will be considered as part of the Agency's approval of the financing. The maximum rent amounts will also apply if Section 8 tenants occupy the set-aside units as the contract rent.
- 3.4 Unit Distribution – The set-aside units must proportionately reflect the mix of all units in the project, be distributed throughout the project and have the same floor area, amenities, and access to project facilities as market-rate units. The objective of the program is to provide a set-aside of units with lower rents, not to create special "low-income sections" within larger developments.

#### 4. STEPS IN PROCESSING

- 4.1 Application – A developer interested in new-money financing submits an application, per Section 5 requirements, for bond financing or, in the case of an existing financing, a request for bond refunding or restructuring to the Agency. Part of the required information is a disclosure statement on each of the parties involved in the developer/ownership entity. Agency's staff reviews the applications to select projects that appear feasible and meet the goals of the program.

At the time of the application, the developer must pay a \$10,000 "good-faith" deposit to cover the Agency staff costs (at \$75 per hour) and expenses in determining the feasibility of the proposed bond issuance, reissuance or restructuring. Agency cost and expenses are in addition to the Agency's issuance fee.

- 4.2 Inducement Resolution – All new-money projects must be induced. An inducement resolution is a conditional expression of intent by the Authorities with respect to potential issuance of bonds for the project. Approval of the inducement resolution establishes, through the public record, the date from which project costs incurred may be determined to be eligible for financing under the program. Therefore, applicants are encouraged to induce their projects as soon as practical to identify the project, its location, maximum number of units, the maximum amount of financing, and the ownership entity. To request an inducement resolution, the developer must complete and submit an application, a letter of request and supportive information.

(16)

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#### FOR CITY CLERK USE ONLY

RESOLUTION NO.: 99-035DATE ADOPTED: NOV 2 1999

Subject **MULTIFAMILY MORTGAGE REVENUE BOND PROGRAM**

Number

Effective Date: upon adopted resolution

Adoption of the inducement resolution does not represent any commitment by the Authority, Agency, or the applicant to proceed with the financing. The Authority and Agency retain absolute discretion over the issuance of bonds through adoption of a resolution authorizing such issuance.

- 4.3 TEFRA Hearing and Approval - In order for interest on the bonds to be tax-exempt and in accordance with the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982, Section 147(i) of the Internal Revenue Code of 1986, the issuance of bonds must be approved by representatives of the governmental unit with jurisdiction over the area in which the project is located after a public hearing for which a reasonable public notice was given. Therefore, federal regulations require that the City Council/Board of Supervisors approve the issuance of bonds by the Authorities, as the elected legislative body of the City/County. The purpose of the public hearing is to provide an opportunity for interested persons to express their views on the proposed bond issuance and on the nature and location of the project.
- 4.4 Local Review - All projects must be in compliance with the City/County's land use requirements and the adopted community plans. Prior to requesting Agency's approval of a new-money bond issuance, the project must undergo all planning procedures, discretionary reviews and land use approvals, including review by the local planning group and environmental analysis, as required.
- 4.5 Required Rating on the Bonds - The bonds issued under the program should generally be rated "AAA," or its equivalent, with the minimum rating being "A", or its equivalent, from the following nationally recognized rating agencies: Moody's Investors Service, Standard & Poors Corporation, Fitch Investors Service, Inc. or Duff & Phelps Credit Rating Co. Where feasible, the rating services of Moody's and Standard & Poors should be used. The same rating requirement applies in the case of a substitution of existing credit facility for bonds which are outstanding.
- 4.6 Credit Enhancement - A preferred way of obtaining the required rating on the bonds in accordance with Section 4.5 is through the provision of additional outside credit support for the bond issue provided by rated, financially strong private institutions, such as bond insurance companies; domestic and foreign banks and insurance companies; savings and loans and smaller commercial banks willing to pledge ratable collateral to the bond trustee; FHA mortgage insurance or co-insurance, etc. The rating on the bonds is determined by the credit worthiness of the participating credit enhancement provider.
- The applicant is required to identify and obtain credit enhancement for each bond issuance. As the primary source of security for the repayment of bonds, the credit enhancement provider approves the borrower (credit, financial capability, experience, etc.), the project and its feasibility, including the size of the loan and the terms of repayment, using its own underwriting criteria.
- 4.7 Rated Bonds without Credit Enhancement - Fixed rate bonds can be issued without credit enhancement if the proposed financing structure results in the required rating on the bonds by a rating agency as provided in Section 4.5.
- 4.8 Privately Placed Bonds - The rating requirement specified in Section 4.5 is waived if the entire bond issue is privately placed with Qualified Institutions (SEC definition) which would be required to sign an investor letter ("Investor Letter") certifying the investor's sophistication to understand the risk associated with the purchase of the debt instrument and restricting transfer of the bond issue to other Qualified Institutions in denominations of \$1,000,000 and greater. While the note remains unrated, its transferability will be restricted to Qualified Institutions who sign an Investor Letter and who would represent to the Agency that they are Qualified Institutions, are buying for investment and not for resale and have made due investigation of the information they would deem material in connection with the purchase of the bonds.

(17)

**FOR CITY CLERK USE ONLY**RESOLUTION NO.: 99-035DATE ADOPTED: NOV 2 1999

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Individual investors, in any manner, shall not hold unrated bonds or any ownership interest in unrated bonds.

- 4.9 Proposed financing shall be structured to ensure the lowest possible interest rate for the bonds in the current market. Bonds that are offered at a "premium" to generate additional proceeds are not allowed.
- 4.10 The Agency will not issue bonds for projects where the combined loan to value exceeds 90% of the stabilized appraised value.
- 4.11 Should a competitive environment exist during the CDLAC allocation process, in which CDLAC requests the applicant to rank applications, the following ranking shall apply.
1. Projects being developed by a qualified not-for-profit organization;
  2. Projects in which the Agency is participating financially with a subordinate loan;
  3. Mixed income projects, in which at least 35% of the units in the project are market rate;
  4. Acquisition and rehabilitation projects;
  5. New construction projects in areas where the median income exceeds 80% and home ownership rates exceed 55%.
- 4.12 The Agency, in very limited situations, will allow "other issuers" (i.e. California Statewide Communities Development Authority (CSCDA) and Association of Bay Area Governments (ABAG)) than the Authorities to issue bonds for multifamily housing projects located within the City/County of Sacramento. Any applicant considering the use of "other issuers" should contact Agency staff prior to proceeding with the project. These issuers are not to begin work with any developer or project proposed for bond financing in Sacramento City or County without first contacting staff directly. The required City/County approval of bond issuance by "other issuers" will be recommended only if the financing proposal is part of a pooled issuance involving projects located in multiple jurisdictions and the overall cost effectiveness of the financing proposal is increased (total cost saving must exceed 2% of the total project costs.) All Agency affordability requirements, procedures and requirements will apply to projects using "outside issuers," including an issuance fee of .25 percent of the bond issuance amount to be paid to the Agency upon issuance of the bonds. "Other issuers" must demonstrate that they have conducted proper due diligence of the developer and project which is comparable to the Agency's process. A City Council/Board of Supervisors TEFRA hearing and notice, as described in Section 4.3, by the City Council/Board of Supervisors on behalf of another issuer will include a provision that the owner, operator or manager of the project considered for financing by tax-exempt debt will not change without the prior approval of the Agency's Executive Director.
- 4.13 Selection of Bond Counsel – Through a Request for Qualifications (RFQ), a pool of bond counsels will be established to serve as participants on individual bond issuances, bond refundings (reissuances) or bond restructurings. The RFQ process is a fair and competitive process which includes advertising and interviewing, if necessary.

The establishment of a bond counsel pool will be made by a selection committee. The selection committee will consist of representatives from the City, County, and Agency and will select up to three firms to be included on the Agency's approved list. The selection will be made for a three-year period.

Bond counsel will be designated by the Agency staff and approved by the Authorities based upon their experience with the proposed bond structure and financing participants. Bond counsel will prepare the

**FOR CITY CLERK USE ONLY**RESOLUTION NO.: 99-035DATE ADOPTED: NOV 2 1999



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necessary legal documentation, including provisions regarding compliance with the continuing disclosure requirements, provide an opinion regarding the validity of the bonds and their tax exemption, and provide legal advice on all relevant issues to best protect the interests of the City/County and the Housing Authority.

The bond counsel specifically represents the interests and concerns of the Authority, Agency, and the City/County of Sacramento in ensuring the integrity of the bond transaction. The project sponsor may, at its own expense, add additional members to the finance team to represent its interests.

- 4.14 Selection of Bond Underwriter (a financial institution which purchases the bonds for resale) – Through a Request for Qualifications (RFQ), a pool of bond underwriters/remarketing agents will be established to serve as participants on individual bond issuances, bond refundings (reissuances) or bond restructurings. The RFQ process is a fair and competitive process, which includes advertising and interviewing, if necessary.

The establishment of this pool will be made by a selection committee. The selection committee will consist of representatives from the City, County, and Agency. The selection committee shall choose up to five underwriters to underwrite and conduct remarketing duties for Agency bond issues. Selection criteria will include: experience of firm and staff, risk of bond structures, cost of services, underwriting abilities, financial qualifications and abilities, and location of firm. The selection will be made for a two-year period.

The bond underwriter/remarketing agent specifically represents the interests and concerns of the Authority, Agency, and the City/County of Sacramento in ensuring the integrity of the bond transaction. The project sponsor may, at its own expense, add additional members to the finance team to represent its interests.

The bond underwriter/remarketing agent for the negotiated sale of bonds will be designated by Agency staff for approval by the Authorities once a developer has proposed a qualifying project, financing plan and bond underwriter. The practice of allowing the developer to propose the bond underwriter, from an Agency approved list, is intended to create an incentive for qualified underwriting firms to actively work with developers to structure and present feasible financing proposals that meet program requirements.

- 4.15 Bond Trustee (a bank designated by the Authorities as the custodian of funds and official representative of bondholders) will be recommended by Agency staff and approved by the Agency's Executive Director. In recommending a trustee, staff will evaluate the trustee's experience, location of servicing office, and fees for services.
- 4.16 Approval of the Financing – Staff's recommendation to proceed with a proposed bond issuance, reissuance, or bond restructuring will be presented for approval by the Sacramento Housing and Redevelopment Commission and the Board of Supervisors/City Council together with the recommendation to approve the firms designated by the Executive Director as participants in the financing. If approved, staff will work with the approved financing team to structure the financing and to prepare the necessary bond documentation. The resulting bond documents will be submitted for final approval by the Authority to authorize the issuance, reissuance or restructuring of bonds for the project.
- 4.17 Bond Allocation – Prior to the issuance of bonds for projects, the Agency must apply for and receive an allocation of bond issuing authority from the State of California Debt Limit Allocation Committee. To receive such an allocation, the Authority must document to the state its readiness to issue the bonds promptly, including the evidence of either credit enhancement or bond rating (in the case of unenhanced bonds).

(19)

**FOR CITY CLERK USE ONLY**RESOLUTION NO.: 99-035DATE ADOPTED: NOV 2 1999

Subject: MULTIFAMILY MORTGAGE REVENUE BOND PROGRAM

Number:

Effective Date: upon adopted resolution

At the time of the application, the developer must deposit with the Agency one half or one percent of the requested allocation amount as a performance deposit. The deposit will be returned to the developer upon written notification from the state to do so. If the financing does not close within 90 days, the deposit reverts to the state.

## 5. APPLICATION REQUIREMENTS

The following items are required:

1. Developer information – Proposed developer, including any limited partner, general partner, or corporation shareholder proposed to own in excess of twenty percent, must provide a resume with qualifications to develop, own and operate the proposed project and the last three years tax returns/financial statements. The resume must indicate any properties defaulted or foreclosed upon during the past 10-year ownership period. The developer must provide currently owned/managed properties and properties managed within the past 5 years. This list of properties must indicate if the project received governmental financial assistance ("subsidized") properties. For these "subsidized" properties include reference (i.e. Issuer, HUD contact, TCAC staff, etc.)

Applicant to provide the following information:

- Borrower name, address, telephone number, fax number, E-mail address, contact person, and type of Borrower entity;
  - Complete description of ownership interests in the Borrower entity;
  - State or jurisdiction in which Borrowing entity was or is to be formed. If Borrower entity is formed in a state or jurisdiction outside of California, include a statement that Borrowing entity is authorized to do business in California (provide organizational status documentation);
  - If Borrower is a corporation, list all shareholders owning in excess of twenty percent of the corporation;
  - If Borrower is a partnership, list the names, addresses and telephone numbers of all general and limited partners and describe the interest(s) of each partner in the partnership;
  - List all Borrower principles, including name, business address and business phone number;
  - Report whether the Borrower entity or any limited or general partner a not-for-profit entity;
  - Provide 3 years financial statements for borrowing entities signed and dated;
  - Provide current personal and/or corporate/partnership financial statements and 3 years tax returns for each member with 20% or more interest in the borrowing entity including general partner and/or sponsor;
  - Disclosure regarding code enforcement, default or bankruptcy, criminal, civil, and administrative convictions, judgments and investigations (form enclosed); and
  - Authorization to release information (form enclosed).
2. Evidence of site control;
  3. Current (6 months) preliminary title report;
  4. Location map;
  5. Soils, environmental, asbestos, and/or lead materials reports;
  6. Current (6 months) structural pest control report;
  7. Site, building, and floor plans;
  8. Land use entitlement documentation;

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### FOR CITY CLERK USE ONLY

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9. Description of current improvements, including matrix of unit types;
10. Rehabilitation scope of work including cost estimates (indicate unit quantities and cost per unit);
11. Unit by unit replacement needs analysis;
12. Description of proposed financing plan, including credit enhancement and loan terms;
13. Proforma operating budget;
14. Financial Feasibility - Developer will submit a detailed operating budget and 30-year cash flow proforma showing all debt service payments. Proforma shall include all assumptions used and calculate IRR and cash on cash returns taking into account all tax benefits to the developer and investors in the project (include range of returns);
15. Financial commitments and/or credit enhancement commitment;
16. Market Analysis (Study) - Developer will submit a market study, which includes three rent comparables for each unit type. Rent comparables must be for similar properties within a two-mile radius of the project. In addition, developer shall identify all multifamily properties within a two-mile radius of the subject property having 20% +/- of the total unit count;
17. Appraisal - "as is" and post rehabilitation or for new construction a land valuation and completed value;
18. Property management plan and agreement - Proposed property management firm must provide resume with qualifications to manage the proposed project. Resume must indicate any properties defaulted or foreclosed upon during management period. Portfolio of currently managed properties and properties managed within the past 5 years. List of properties will indicate "subsidized" properties. For these "subsidized" properties management firm will include reference (i.e. Issuer, HUD contact, TCAC staff, etc.); and
19. Council Member's/Supervisor's office acknowledgement (see attached form).

#### 6. WAIVERS OF BOND POLICY REQUIREMENTS

The above requirements included in these bond policies may be waived upon occurrence of all of the following:

1. Applicant makes a written request to waive a requirement;
2. Applicant provides documentation to support the waiver request;
3. Staff concludes that the requested waiver is appropriate;
4. Staff recommends that a waiver from these adopted policies be approved by the appropriate governing board;
5. The appropriate governing board approves the requested waiver.

It shall be staff's sole discretion to determine the appropriateness of the waiver request and whether to bring the waiver before the governing boards.

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12. Description of proposed financing plan, including credit enhancement and loan terms;
13. Proforma operating budget;
14. Financial Feasibility - Developer will submit a detailed operating budget and 30-year cash flow proforma showing all debt service payments. Proforma shall include all assumptions used and calculate IRR and cash on cash returns taking into account all tax benefits to the developer and investors in the project (include range of returns);
15. Financial commitments and/or credit enhancement commitment;
16. Market Analysis (Study) – Developer will submit a market study, which includes three rent comparables for each unit type. Rent comparables must be for similar properties within a two-mile radius of the project. In addition, developer shall identify all multifamily properties within a two-mile radius of the subject property having 20% +/- of the total unit count;
17. Appraisal – “as is” and post rehabilitation or for new construction a land valuation and completed value;
18. Property management plan and agreement - Proposed property management firm must provide resume with qualifications to manage the proposed project. Resume must indicate any properties defaulted or foreclosed upon during management period. Portfolio of currently managed properties and properties managed within the past 5 years. List of properties will indicate “subsidized” properties. For these “subsidized” properties management firm will include reference (i.e. Issuer, HUD contact, TCAC staff, etc.); and
19. Council Member’s/Supervisor’s office acknowledgement (see attached form).

## 6. WAIVERS OF BOND POLICY REQUIREMENTS

The above requirements included in these bond policies may be waived upon occurrence of **all** of the following:

1. Applicant makes a written request to waive a requirement;
2. Applicant provides documentation to support the waiver request;
3. Staff concludes that the requested waiver is appropriate;
4. Staff recommends that a waiver from these adopted policies be approved by the appropriate governing board;
5. The appropriate governing board approves the requested waiver.

It shall be staff’s sole discretion to determine the appropriateness of the waiver request and whether to bring the waiver before the governing boards.

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### FOR CITY CLERK USE ONLY

RESOLUTION NO.: 99-035DATE ADOPTED: NOV 2 1999

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY  
DEVELOPMENT SERVICES DEPARTMENT**

**RENTAL PROPERTY- MINIMUM REHABILITATION STANDARDS**

The following is a list of the required rehabilitation standards that must be incorporated into projects participating in the Agency's investor assistance programs. All rental units and sites associated with these projects must meet or exceed these standards.

**General Requirements**

- A. Any component of the project, which does or may present a health or safety hazard to the public or tenants, shall be corrected to the satisfaction of the local building department.
- B. Any component of the project whose useful life expectancy has exceeded the useful life identified in Attachment A, shall be replaced unless waived by the Agency in writing.
- C. A clear termite report will be required at the conclusion of the construction work.
- D. All materials funded under this loan must be new unless previously approved. Recycled items must be approved in writing by the Agency prior to their use.
- E. On multifamily units, all work shall comply with the accessibility requirements of Chapter 11A, Title 24 of the California Building Code (ADA).
- F. For all structures built before 1978, a report of compliance with the initial certified inspection report of lead-based paint and asbestos is required.
- G. All units shall be approved for occupancy by the local building department at the conclusion of the work.

**Site Work**

- A. All landscaping and irrigation systems must be in a well-maintained condition. Trees and large shrubs must be trimmed, grass areas must be mowed, and all planter areas must be weed free. All landscaped areas must be served by a programmable automated irrigation system.
- B. All fencing must be in good serviceable condition.
- C. All driveways and sidewalks must be in good condition. All cracked or uplifted areas determined in need of repair by the Agency shall be repaired or replaced.
- D. All projects shall meet the parking requirements of the local Agency having jurisdiction over the project. "Grandfathered Projects" will need to show that they are in fact "Grandfathered" by the Local Agency having jurisdiction.
- E. A two percent (2%) slope shall be maintained for a distance of five feet from all structures and no standing water shall remain on the site. Provide an on-site drainage system if necessary.

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RESOLUTION NO.: 99-035

DATE ADOPTED: NOV 2 1999

## Rental Rehabilitation Property Inspection Checklist

Page \_\_

**Moisture Protection**

- A. All wet areas must be sealed and watertight.
- B. Roofs must have 5 years or more of remaining life with no visible signs of leakage. A third layer of shingles is not allowed. Provide a five-year certification if requested by the Agency.

**Doors and Windows**

- A. All units must have screens on all open-able windows. Windows designed to open must have functional locks and must operate freely without excessive effort.
- B. All doors and doorjamb must be in good condition. No damaged or worn doorjamb or doors are allowed.
- C. All exterior doors must have deadbolt locks, keyed latch assemblies, viewers, and 2-inch screws in strike plates.
- D. All sliding exterior doors shall have screen doors and shall have functional locks and must operate freely without excessive effort.

**Casework**

- A. All cabinets shall be in very good condition both structurally and in appearance.
- B. All counter tops shall be in very good condition with no significant imperfections, scratches, burns, or other imperfections.

**Finishes**

- A. Floor coverings must be in good, useable condition - no holes, tears, rips, or stains.
- B. All kitchens and bathrooms must be floored in sheet goods or tile to provide a cleanable, impervious surface.
- C. All exterior and interior surfaces must be painted. No peeling, cracking, chipping, or otherwise failing paint will be allowed. All painted surface must be new, or in near new condition and appearance.

**Equipment**

- A. All appliances must be new or in very good operating condition.
- B. All kitchens must have adequate cabinet and counter space.

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**FOR CITY CLERK USE ONLY**

RESOLUTION NO.: 99-035  
DATE ADOPTED: NOV 2 1999

## Rental Rehabilitation Property Inspection Checklist

Page \_\_

**Furnishings**

- A. All units must have window coverings on all sleeping room windows.

**Special Construction**

- A. Non-habitable structure on property must be painted to match primary buildings and must be structurally sound.
- B. Laundry facilities must be provided on a basis of 1 washer and dryer for each 5 dwelling units or part thereof for the first ten units, and additional facilities at the rate of one for each 15 dwelling units or part thereof. If the project is more than 20 units, the n 1 set of assessable laundry machines must be provided.

**Mechanical/Plumbing**

- A. Hot water heaters must be in enclosures in all habitable rooms and must be insulated and have earthquake strapping and pressure relief valves with lines that terminate to the exterior.
- B. All units must have heating and air conditioning. Wall mount or central systems are acceptable. Evaporated coolers are not acceptable.
- C. All plumbing fixtures shall be new or in very good working condition.
- D. All toilets, sinks, and tubs shall be chip and stain free.

**Electrical**

- A. All new electrical panels must be of the breaker type. Fused disconnects must be approved by the Agency.
- B. All units must have at least one hard-wired smoke detector per bedroom corridor and a minimum of one battery-operated smoke detector per bedroom.
- C. All bathrooms must have at least one GFCI protected outlet, and tub surrounds must be a minimum of 1/8" laminated plastic.
- D. Kitchens must have all GFCI protected outlets within 6 feet of the sink.

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