



# SUPPLEMENTAL

SJFA: 05-11-10  
ITEM: 2

## Memorandum

**TO:** HONORABLE MAYOR AND CITY COUNCIL

**FROM:** Leslye Krutko  
Julia Cooper

**SUBJECT:** SEE BELOW

**DATE:** May 3, 2010

Approved

Date

5-2-10

**COUNCIL DISTRICT:** 3  
**SNI AREA:** NA

**SUBJECT: APPROVAL OF THE ISSUANCE OF BONDS, LOAN OF BOND PROCEEDS, AUTHORIZATION OF A GROUND LEASE, AND RELATED DOCUMENTS, FOR THE FOURTH STREET APARTMENTS PROJECT**

### SUPPLEMENTAL MEMORANDUM

#### REASON FOR SUPPLEMENTAL

This Supplemental Memorandum seeks Council approval of the Supplemental Agreement in substantially final form.

#### RECOMMENDATIONS

Adoption of a resolution by the City Council approving in substantially final form the Supplemental Agreement by and among the City, the California Community Reinvestment Corporation, as bondowner representative on and after Conversion and the Borrower on file with the City Clerk..

#### BACKGROUND

First Community Housing, Inc. (the "Developer") has requested that the City issue tax-exempt multifamily housing revenue bonds in an aggregate principal amount not to exceed \$26,775,000 for the purpose of lending the Bond proceeds to Fourth Street Apartments, L.P. (the "Borrower"), a California limited partnership created by the Developer. The Bonds will be neither rated nor credit-enhanced and will be structured as a private placement with U.S. Bank as the initial purchaser during the construction period. Upon meeting certain conditions to conversion from the construction loan to a permanent loan,, the California Community

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Reinvestment Corporation ("CCRC") will purchase up to \$5,684,000 of the Series 2010A-1 Bonds in order to fund the permanent loan to the Borrower. The permanent loan will be fully amortized over 30 years from the conversion date. The balance of the outstanding bonds will be redeemed as a condition to conversion. The Bond proceeds, together with other funds, will be used by the Borrower to finance the construction of 100 rental units to be known as Fourth Street Apartments (the "Project").

## **BOND FINANCING DOCUMENTS**

### **Supplemental Agreement**

The City is a party to the Loan Agreement with U.S. Bank, the initial purchaser of the Bonds during the construction period. As such, the City must also agree to the Supplemental Agreement which provides the terms and conditions under which CCRC will purchase the Series 2010A-1 Bonds upon satisfaction of the closing conditions set forth in the Bond Purchase Agreement among CCRC, U.S. Bank and the Borrower. The Supplemental Agreement also outlines certain covenants of the Borrower such as compliance with covenants and laws, permits, licenses and approvals, insurance, debt service coverage ratio and operating reserve requirements. Additionally, the Supplemental Agreement outlines the default conditions and the remedies that the Borrower must adhere to.

/s/

LESLYE KRUTKO  
Director, Housing Department

/s/

JULIA H. COOPER  
Assistant Director of Finance

For questions, please contact Leslye Krutko, Director of Housing at 408-535-3581.