



SUPPLEMENTAL

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Leslye Krutko

SUBJECT: SEE BELOW

DATE: August 25, 2010

Approved

Date

8-27-10

COUNCIL DISTRICT: 3

SNI AREA: N/A

SUBJECT: APPROVAL OF THE ISSUANCE OF A TAX-EXEMPT MULTIFAMILY HOUSING REVENUE NOTE AND LOAN OF REVENUE NOTE PROCEEDS AND RELATED DOCUMENTS FOR THE KINGS CROSSING APARTMENTS

SUPPLEMENTAL MEMORANDUM

REASON FOR SUPPLEMENTAL

The initial purchaser of the City of San José Multifamily Revenue Note, Series 2010C (the "Note"), Citibank N.A. ("Citibank"), received final credit approval for this transaction on August 18, 2010, after the Council Memorandum and financing documents related to this transaction were posted. Citibank has requested changes to the structure of the transaction as a condition of final approval. This Supplemental Memorandum explains the requested changes and seeks authority for the City to enter into an additional agreement as detailed below.

RECOMMENDATION

It is recommended that the City Council adopt a resolution:

- 1) Authorizing an Agreement between the City, Kings Crossing L.P., Citibank N.A., and Family Supportive Housing, Inc. (the "Agreement") providing for funding of a portion of a conditional grant from the City to Family Supportive Housing, Inc ("FSH") for purposes of paying FSH's share of the shared costs of the work of the Kings Crossing L.P. and FSH projects that has been determined to benefit both the Kings and the FSH property, and;
- 2) Authorizing the Director of Housing to execute the Agreement.

August 25, 2010

Subject: Kings Crossing Apartments

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BACKGROUND

Charities Housing Development Corporation (the "Developer") has requested that the City issue a tax-exempt multifamily housing revenue note, which will be sold in order to generate proceeds that will be loaned to Kings Crossing L.P. ("Kings"), a California limited partnership created by the Developer. The Note will be non-rated and not credit enhanced and will be structured as a private placement with Citibank as the initial purchaser. The proceeds of the loan from Citibank, together with other funds, will be used by Kings to finance the construction of the 94 unit rental apartment housing composed of 92 units, consisting of 33 one-bedroom units, 33 two-bedroom units, and 26 three-bedroom units, that will be affordable for a period of at least 55 years and two (2) manager's units that will be unrestricted to be known as Kings Crossing Apartments ("Kings Project").

Additionally, the City will provide a loan to Kings in the amount of approximately \$10,145,275 that is within the maximum loan amount of \$10,565,700 approved by City Council for the Project on March 18, 2008.

The City has also agreed to a conditional grant to FSH in the amount of \$6,291,000 (the "Grant") pursuant to a Conditional Grant Agreement dated as of August 1, 2009 (the "Grant Agreement") by and between City and FSH. The Grant will finance the construction of a 36-unit rental apartment composed of 35 units or 143 beds affordable to extremely low income residents and one manager's unit that will be unrestricted (the "Shelter Project"). The Shelter Project will share a common podium with the Kings Project.

ANALYSIS

The City Council is being asked to approve and authorize execution of an agreement between the City, Kings Crossing L.P., Citibank N.A., and Family Supportive Housing, Inc. (the "Agreement"). Citibank is requiring assurance that a portion of the Grant will be available to pay FSH's portion of shared work for construction of the infrastructure including the underground work, garage and common podium ("Shared Work") for the Kings Project and Shelter Project. In order to induce Citibank to approve the Note, the City through the provisions of the Agreement, will agree to fund a portion of the Grant to pay for FSH's portion of the shared work.

Provided that required conditions for disbursement are satisfied, and notwithstanding any other default or event of default under the Grant Agreement or non-compliance of FSH with any other provision of the Grant Agreement, the City agrees to these terms.

/s/

LESLYE KRUTKO
Director, Housing Department

For questions, please contact Leslye Krutko, Director of Housing at 408-535-3851