

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 19, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: Housing Authority of the County of Sacramento

Allocation Amount Requested:
Tax-exempt: \$6,000,000

Project Information:
Name: Olive Wood Apartments
Project Address: 2801-2811 La Quinta Drive
Project City, County, Zip Code: Sacramento, Sacramento, 95826

Project Sponsor Information:
Name: Olivewood - Sacramento Apartment Investors, L.P. (Community Revitalization and Development Corporation)
Principals: John Wilson, Kenny Breedlove, Bert Meyer, John Sharrah, Fred Quigley, David Rutledge, Susie Diaz and Sara Alexander for Community Revitalization and Development Corporation.
Property Management Company: The John Stewart Company

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Community Business Bank
TEFRA Adoption Date: October 22, 2013

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 67, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The Project is a Family facility situated on 2.71 acres. The Project consists of six two-story buildings that includes a leasing office, community room and a community laundry facility. There are 46 two-bedroom units, 3 three-bedroom units and 18 four-bedroom units. Each unit features carpeted living areas, central heating and air conditioning and standard kitchen appliances such as a range, refrigerator, dishwasher and garbage disposal. Common area amenities include a basketball court, swimming pool and a tot-lot. According to the application, construction and rehabilitation is scheduled to begin June 2014 and it is planned to take approximately 9 months to rehabilitate the units with an ending date of February 2015.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
31% (21 units) restricted to 50% or less of area median income households.
69% (46 units) restricted to 60% or less of area median income households.
Unit Mix: 2, 3 & 4 bedrooms

Service amenities include: After school programs of an on-going nature (tutoring, mentoring, homework club, and art and recreation activities). To be provided weekdays throughout the school year for at least 10 hours per week and Instructor-led educational, health and wellness or skill building classes for a minimum of 84 hours per year.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	10,440,597	
Estimated Hard Costs per Unit:	\$	65,531	(\$4,390,584 /67 units)
Estimated per Unit Cost:	\$	155,830	(\$10,440,597 /67 units)
Allocation per Unit:	\$	89,552	(\$6,000,000 /67 units)
Allocation per Restricted Rental Unit:	\$	89,552	(\$6,000,000 /67 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 6,000,000	\$ 1,941,603
Deferred Developer Fee	\$ 1,248,214	\$ 235,553
LIH Tax Credit Equity	\$ 1,264,442	\$ 3,585,500
Direct & Indirect Public Funds	\$ 1,927,941	\$ 4,677,941
Total Sources	\$ 10,440,597	\$ 10,440,597

Uses of Funds:	
Acquisition/Land Purchase	\$ 2,300,000
On & Off Site Costs	\$ 788,000
Hard Construction Costs	\$ 3,602,584
Architect & Engineering Fees	\$ 100,000
Contractor Overhead & Profit	\$ 453,559
Developer Fee	\$ 1,248,214
Relocation	\$ 206,547
Cost of Issuance	\$ 297,200
Capitalized Interest	\$ 115,000
Other Soft Costs (Marketing, etc.)	\$ 1,329,493
Total Uses	\$ 10,440,597

Description of Financial Structure and Bond Issuance:

The construction bonds are being issued by Housing Authority of the County of Sacramento and are being purchased in a private placement transaction by Community Business Bank in the amount \$6,000,000 for a term of 12 months which purchase is conditioned on industry standard due diligence and underwriting. During the term of the construction bonds they will bear interest at a fluctuating rate based on the Wall Street Journal Prime Rate plus 2.0% with a floor of 6.25%, will be secured by a first deed of trust against the property and be recourse obligations of the Project Sponsor and its general partners. The permanent financing phase will also be provided by Community Business Bank and the bonds will be paid down to \$1,941,604. During the permanent phase the bonds will bear interest at a fixed rate of 6.0% and permanent financing will be amortized over 25 years with a 15 year term. The permanent phase financing will be secured by a first deed of trust on the property. Credit enhancement will not be provided.

Analyst Comments:

Not Applicable

Legal Questionnaire:

The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

Total Points: 75.5 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$6,000,000 in tax exempt bond allocation.

ATTACHMENT A

EVALUATION SCORING:

Point Criteria	Maximum Points Allowed for Non-Mixed Income Projects	Maximum Points Allowed for Mixed Income Projects	Points Scored
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	0
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.5
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	10	10	3
Negative Points	-10	-10	0
Total Points	130	100	75.5

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.