

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 20, 2011
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Annie Ong

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$20,050,000

Project Information:
Name: Sonoma Apartments
Project Address: 969 Porter Street
Project City, County, Zip Code: Vallejo, Solano, 94590

Project Sponsor Information:
Name: Park Vallejo Apartments 178, LP (Park Vallejo Manager, LLC and Affordable Housing Access, Inc.)
Principals: Robert N. Klein for Park Vallejo Manager, LLC; William Hirsch and Jonathan Webb for Affordable Housing Access
Property Management Company: Alliance Communities

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Merchant Capital, L.L.C.
Credit Enhancement Provider: Fannie Mae
TEFRA Hearing Date: June 28, 2011

Description of Proposed Project:
State Ceiling Pool: Mixed Income
Total Number of Units: 177, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The subject is an existing project containing 178 units located in Vallejo, CA. Interior renovations include upgrading units that have to be renovated to the upgraded renovation standard, repairing and refinishing hardwood floors, replacement of existing carpet and vinyl, countertop refinishing, installing new appliances, and HVAC and water heater repair and replacement. Exterior and common area renovations include conversion of 70 carports to full size, enclosed and secured individual parking garages, conversion of laundry rooms to storage rooms, upgrading remaining laundry rooms, construction of additional storage rooms, landscaping upgrades (including tree and shrub plantings, irrigation improvements, frontage entrance upgrades, site drainage), additional exterior building elevation enhancements, upgrades to bbq areas, and window replacements.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 41%

10% (18 units) restricted to 50% or less of area median income households.

31% (54 units) restricted to 60% or less of area median income households.

Unit Mix: 2 & 3 bedrooms

Service amenities include after school programs and education classes.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 25,235,000	
Estimated Hard Costs per Unit:	\$ 16,757	(\$2,966,000 /177 units)
Estimated per Unit Cost:	\$ 142,571	(\$25,235,000 /177 units)
Allocation per Unit:	\$ 113,277	(\$20,050,000 /177 units)
Allocation per Restricted Rental Unit:	\$ 278,472	(\$20,050,000 /72 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 20,050,000	\$ 20,050,000
Taxable Bond Proceeds	\$ 3,595,000	\$ 3,595,000
Developer Equity	\$ 1,336,000	\$ 1,336,000
Other (Developer Fee Loan)	\$ 17,000	\$ 17,000
Other (Deferred Interest Taxable Debt Series C)	\$ 237,000	\$ 237,000
Total Sources	\$ 25,235,000	\$ 25,235,000

Uses of Funds:	
Land Purchase	\$ 17,530,000
Hard Construction Costs	\$ 2,966,000
Architect & Engineering Fees	\$ 20,000
Contractor Overhead & Profit	\$ 411,000
Developer Fee	\$ 1,273,000
Cost of Issuance	\$ 1,128,000
Capitalized Interest	\$ 315,000
Assurance Escrow and Ground Lease Payment, etc.	\$ 1,592,000
Total Uses	\$ 25,235,000

Description of Financial Structure and Bond Issuance:

The project received an allocation of the U.S. Treasury's NIBP bonds via California Statewide Communities Development Authority as the Conduit Issuer. The project will be financed through a Fannie Mae credit enhancement facility with respect to an issue of tax exempt and taxable multifamily housing revenue bonds in the aggregate amount of \$21,996,000 consisting of \$20,050,000 tax exempt and \$1,946,000 taxable. Guaranteed by Klein Financial Corporation. Bond closing date is December 30, 2011. Loan is for 30 years following Conversion and amortization period is 35 years. Construction period is 24 months. Debt service coverage factor is 1.15 to 1.00. Maximum loan to value is 85%. Underwriting interest rate is 5.03%. There will also be subordinate financing in the amount of \$1,649,000 which is to be purchased by the seller.

Analyst Comments:

Sonoma Apartments is Federally At-Risk as tax exempt bonds will expire in March of 2012.

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: 53 out of 108
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$20,050,000 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	10
Exceeding Minimum Income Restrictions:	35	15	5
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	0
Large Family Units	5	5	5
Leveraging	10	10	7.5
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	8	8	8
Negative Points	-10	-10	0
Total Points	128	108	53

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.