

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 18, 2012
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Narisha Bonakdar

Applicant: Housing Authority of the County of Sacramento

Allocation Amount Requested:
Tax-exempt: \$23,000,000

Project Information:
Name: Township Nine Apartments
Project Address: North 7th Street
Project City, County, Zip Code: Sacramento, Sacramento, 95811

Project Sponsor Information:
Name: Township Nine Affordable Housing Associates, LLC (Urban-Core Integral, LLC; JSCo T9, LLC)
Principals: Urban-Core Integral, LLC: Michael E. Johnson and Vicki Wilbon; JSCo T9: Jack Gardner and Marc Slutzkin
Property Management Company: The John Stewart Company

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Citibank, N.A.
TEFRA Hearing Date: June 12, 2012

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 178, plus 2 manager units
Type: New Construction
Type of Units: Family

Township Nine Apartments is a proposed 180-unit new construction project located in the City of Sacramento. It will consist of a five-story building that includes 90 one-bedroom units and 90 two-bedroom units on 3.9 acres. All of the units will be affordable with household income restrictions ranging from 30 to 60 percent of Area Median Income. The property is part of the first phase of the 65-acre master-planned Township Nine development.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
20% (36 units) restricted to 50% or less of area median income households.
80% (142 units) restricted to 60% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 37,558,842
Estimated Hard Costs per Unit: \$ 124,969 (\$22,244,533 /178 units)
Estimated per Unit Cost: \$ 211,005 (\$37,558,842 /178 units)
Allocation per Unit: \$ 129,213 (\$23,000,000 /178 units)
Allocation per Restricted Rental Unit: \$ 129,213 (\$23,000,000 /178 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 19,000,000	\$ 10,965,000
Deferred Developer Fee	\$ 1,228,686	\$ 923,183
LIH Tax Credit Equity	\$ 5,078,168	\$ 13,670,659
Direct & Indirect Public Funds	\$ 11,000,000	\$ 11,000,000
Other: Seller Takeback Note	\$ 1,251,998	\$ 1,000,000
Total Sources	<u>\$ 37,558,852</u>	<u>\$ 37,558,842</u>

Uses of Funds:	
Acquisition/Land Purchase	\$ 1
New Construction Costs	\$ 24,708,338
Architectural	\$ 965,256
Survey & Engineering	\$ 139,969
Contingency Costs	\$ 1,756,679
Construction Period Expenses	\$ 1,405,803
Permanent Financing Expenses	\$ 15,000
Legal Fees	\$ 250,486
Capitalized Reserves	\$ 1,594,577
Reports and Studies	\$ 16,893
Developer Cost	\$ 2,661,164
Other	\$ 4,044,676
Total Uses	<u>\$ 37,558,842</u>

Description of Financial Structure and Bond Issuance:

Citibank, N.A. will provide a private placement for tax-exempt bonds in the amount of \$23,000,000. This will serve as both the construction and permanent loans. The construction loan term will be 21 months (October 8 2012 – July 8 2014) and will carry a variable interest rate equal to SIFMA plus a 2.50% spread. After the 21-month construction period, a maximum of \$11,440,000 will be converted to a permanent loan and will carry a fixed rate equal to the sum of the 17-year maturity “AAA” bond rate plus a spread of 2.25% (currently 4.88%). The permanent loan will have a 17-year term and 35-year amortization.

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:

70 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$23,000,000 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	30
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	10
Gross Rents	5	5	0
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	70

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.