

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: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$8,220,000

Project Information:
Name: Granite City Apartments
Project Address: 1150 Sibley Street
Project City, County, Zip Code: Folsom, Sacramento, 95630

Project Sponsor Information:
Name: Granite Folsom L.P. (Anton Granite, LLC and Pacific Housing, Inc.)
Principals: Anton Granite: Mark A. Wiese; Pacific Housing, Inc.: Steven Eggert and Peter Geremia
Property Management Company: St. Anton Management Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Union Bank, N.A.
TEFRA Hearing Date: July 10, 2012

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 80, plus 1 manager unit
Type: New Construction
Type of Units: Family

Granite City Apartments is a proposed 81-unit new construction project located in the City of Folsom. It will consist of 30 one-bedroom units, 33 two-bedroom units, and 18 three-bedroom units on 3.9 acres. All of the units will be income-restricted to households earning between 50 and 60 percent of Area Median Income. Each unit will include hydronic space heating and central air conditioning, washer and dryer connections, a patio/balcony, and all major appliances. The property includes a community room with a computer area/classroom, a swimming pool, and an onsite laundry facility.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
21% (17 units) restricted to 50% or less of area median income households.
79% (63 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

The project will include educational classes and an after-school program.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

| | | | |
|---|----|------------|------------------------------------|
| Estimated Total Development Cost: | \$ | 15,672,460 | |
| Estimated Hard Costs per Unit: | \$ | 95,966 | (\$7,677,296 /80 units) |
| Estimated per Unit Cost: | \$ | 195,906 | (\$15,672,460 /80 units) |
| Allocation per Unit: | \$ | 102,750 | (\$8,220,000 /80 units) |
| Allocation per Restricted Rental Unit: | \$ | 102,750 | (\$8,220,000 /80 restricted units) |

| Sources of Funds: | <u>Construction</u> | <u>Permanent</u> |
|--------------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 8,220,000 | \$ 5,280,000 |
| LIH Tax Credit Equity | \$ 1,197,536 | \$ 4,737,086 |
| Direct & Indirect Public Funds | \$ 4,540,000 | \$ 4,540,000 |
| Other | \$ 309,924 | \$ 1,115,374 |
| Total Sources | \$ 14,267,460 | \$ 15,672,460 |

| Uses of Funds: | |
|------------------------------------|----------------------|
| Acquisition/Land Purchase | \$ 855,000 |
| On & Off Site Costs | \$ 1,067,596 |
| Hard Construction Costs | \$ 6,609,700 |
| Architect & Engineering Fees | \$ 317,625 |
| Contractor Overhead & Profit | \$ 898,012 |
| Developer Fee | \$ 1,500,000 |
| Cost of Issuance | \$ 252,765 |
| Capitalized Interest | \$ 331,133 |
| Other Soft Costs (Marketing, etc.) | \$ 3,840,629 |
| Total Uses | \$ 15,672,460 |

Description of Financial Structure and Bond Issuance:

Union Bank, N.A. will provide a private placement of tax-exempt private activity bonds in the amount of \$8,220,000 that will serve as both the construction and permanent loans. The construction loan term will be 24 months and will carry a variable interest rate equal to 60% of the 30-day LIBOR rate plus 2.00%. After the 24-month construction period, an amount equal to \$5,280,000 will be fixed with a swap (current indicative swapped rate is 5.2%). The permanent loan will have a 15-year term and 30-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: 71 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$8,220,000 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 | 31 |
| 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 | 5 |
| Large Family Units | 5 | 5 | 0 |
| Leveraging | 10 | 10 | 0 |
| Community Revitalization Area | 15 | 15 | 0 |
| Site Amenities | 10 | 10 | 5 |
| Service Amenities | 10 | 10 | 10 |
| New Construction | 10 | 10 | 10 |
| Sustainable Building Methods | 10 | 10 | 0 |
| Negative Points | -10 | -10 | 0 |
| Total Points | 130 | 100 | 71 |

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.