

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 13, 2013
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: Housing Authority of the City of Santa Barbara

Allocation Amount Requested:
Tax-exempt: \$13,070,000

Project Information:
Name: Villa Santa Fe Apartments I
Project Address: 418 Santa Fe Place (aka 1334 Cliff Drive)
Project City, County, Zip Code: Santa Barbara, Santa Barbara, 93109

Project Sponsor Information:
Name: Villa Santa Fe Apartments, LP (Villa Santa Fe MGP, LLC and 2nd Story SB Development I, LLC)
Principals: Detlev Peikert, Robert G. Pearson and Michael McGuire for Villa Santa Fe MGP, LLC; Rob Fredericks, Alexander Szymanski and Margaret Trejo for 2nd Story SB Development I,
Property Management Company: Housing Authority of the City of Santa Barbara

Project Financing Information:
Bond Counsel: Quint & Thimmig LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A. (constr.) / GNMA HUD FHA 223(f) [Bellwether Enterprise Real Estate Capital, LLC] (perm)
TEFRA Hearing Date: June 12, 2012

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 106, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens/Federally Assisted At-Risk

The proposed project is an existing senior rental community located in the City of Santa Barbara. The property is currently known as Senior Housing Inter-Faith Corporation (SHIFCO) and was originally development in 1975. The property consists of 27 residential buildings situated on 7.45 acres on the Mesa of Santa Barbara overlooking the Pacific Ocean. Of the 27 buildings, 26 are four-plexes consisting of 544 square foot one-bedroom rental units and one (1) building is a triplex with two 544 square foot one-bedroom rental units and one (1) two-bedroom manager's unit. Additionally, there are 12 laundry/storage buildings (each 227 square feet), a library (290 square feet), and a community room building with a manager's office (2,256 square feet). The scope of the rehabilitation work includes installation of tankless water heaters, exterior fencing, siding repair, new appliances, doors, cabinetry, flooring, lighting fixtures, replacing all exterior windows for improved energy efficiency, and painting interiors and exteriors. Currently, 102 of the 106 residents have income levels below 60% of the area median income ("AMI"). The four apartment units with tenants exceeding 60% AMI will be designated as "market rate".

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 96%
10% (11 units) restricted to 50% or less of area median income households.
86% (91 units) restricted to 60% or less of area median income households.
Unit Mix: 1 bedroom

There will be no service amenities provided for the proposed project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 26,613,784
Estimated Hard Costs per Unit: \$ 32,643 (\$3,460,110 /106 units)
Estimated per Unit Cost: \$ 251,073 (\$26,613,784 /106 units)
Allocation per Unit: \$ 123,302 (\$13,070,000 /106 units)
Allocation per Restricted Rental Unit: \$ 128,137 (\$13,070,000 /102 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 13,070,000	\$ 0
Taxable Bond Proceeds	\$ 0	\$ 13,070,000
Deferred Developer Fee	\$ 1,874,515	\$ 10,326
LIH Tax Credit Equity	\$ 892,985	\$ 5,953,233
Direct & Indirect Public Funds	\$ 9,786,879	\$ 6,590,820
Other (NOI During Constr.)	\$ 989,405	\$ 989,405
Total Sources	\$ 26,613,784	\$ 26,613,784

Uses of Funds:	
Acquisition/Land Purchase	\$ 17,950,000
Hard Construction Costs	\$ 3,460,110
Architect & Engineering Fees	\$ 40,000
Contractor Overhead & Profit	\$ 346,011
Developer Fee	\$ 2,093,168
Relocation	\$ 44,970
Cost of Issuance	\$ 479,905
Capitalized Interest	\$ 1,136,998
Other Soft Costs (Marketing, etc.)	\$ 1,062,622
Total Uses	\$ 26,613,784

Description of Financial Structure and Bond Issuance:

The proposed financial structure of the proposed project will be a private placement transaction provided by Citibank, N.A. ("Bank"); and the bonds will be issued by the Housing Authority of the City of Santa Barbara ("Issuer"). The Bank will arrange a tax-exempt loan to the Issuer. The tax-exempt loan and related interest reserve will be collateralized by a cash account. The proceeds of the loan shall fund a tax exempt loan by the Issuer to the Villa Santa Fe Apartments, LP ("Borrower") for the project. The loan provided by the Bank will be a construction loan. There will be no permanent tax-exempt debt on the project. The construction term will be for 18 months and will bear interest at a fixed rate calculated by adding a 0.55% Spread to the 1 year MMC index, which is currently 0.20%, resulting in a rate of 0.75% based on current rates. Pricing will be based on current market conditions and the Bank agrees to hold the Spread through the Closing Date (30 days after receiving a commitment from HUD to provide mortgage insurance under the 223(f) program for the permanent loan). This date is anticipated to be on or before April 12, 2013, and will be financed in a single issuance in conjunction with the Villa Santa Fe Apartments II project. The tax-exempt bonds will be outstanding for 18 months. The project rehabilitation will be substantially completed before the end of the term of the tax-exempt bonds. At the end of the 18 months, the funds in the cash account will be used to pay off the bonds, leaving an FHA 223(f) loan for the remainder of the loan term (33.5 Years).

Analyst Comments:

The Housing Authority of the City of Santa Barbara (HASB) has received approval to pay-off the existing HUD 223 (d)(3) loan. As a result of the historical limits on rents from a HUD Rental Supplemental Contract, the property has not had sufficient financial resources to complete capital improvements necessary to update interiors or extend the useful life of the property. HASB intends to sell the property to a single-purpose entity as part of a financial recapitalization, but will continue to operate the project under a master lease agreement with the new ownership entity. The recapitalization will include tax-exempt bonds, 4% low-income housing tax credits, a 35-year HUD/FHA 223(f) permanent loan, and a residual receipts loan from HASB.

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: 66.5 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$13,070,000 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	20
Exceeding Minimum Income Restrictions:	35	15	24
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	0
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.5
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	110	66.5

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.