

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 10, 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 City of Sacramento

Allocation Amount Requested:
Tax-exempt: \$22,186,052

Project Information:
Name: 700 Block Apartments
Project Address: 700 K Street
Project City, County, Zip Code: Sacramento, Sacramento, 95814

Project Sponsor Information:
Name: 700 Block Investors, L.P.
Principals: Ali Youssefi, Cyrus Youssefi, Behroze Miryabianeh, David Miryabianeh and Steve Lebastchi for the 700 Block Investors, L.P.
Property Management Company: C.F.Y. Development, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: J.P. Morgan Chase Bank, N.A.
TEFRA Adoption Date: October 7, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 136, plus 2 manager units
Type: New Construction
Type of Units: Family

700 Block will be a mixed-income property consisting of a single five-story building atop a two-story underground parking garage connected to existing renovated commercial buildings, located on a rectangular 1.18 acre site. The property will contain 42 studio units, 83 one-bedroom units, and 12 two-bedroom units totaling 138 units. It will also include a 5,000 sf second floor roof garden atop the adjacent commercial space and a rooftop deck on the 6th floor of the residential tower. The second floor will contain a laundry room, fitness center and recreation room complete with pool table, TV lounge, library and kitchen. Fifteen of the apartments will be located in the rehabilitated upper floors of existing buildings along K Street, while the remaining 122 units will be located in the new building to be constructed along the alley. The apartment units will contain features that are popular in the Sacramento multifamily market. These include 9 foot ceilings in the single-story units and double height spaces in

certain loft units, balconies and fully equipped kitchens. The two-level garage will provide shelter for bicycle and motorcycle parking, spaces for booster pumps for domestic and fire water, utility meters, and a trash and recyclables area connected by refuse chutes from each of the apartment levels above. 700 Block will be a transit-oriented development (TOD). Construction is expected to begin January 2015 with completion anticipated for September 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 62%
10% (14 units) restricted to 50% or less of area median income households.
51% (70 units) restricted to 60% or less of area median income households.
Unit Mix: Studio, 1 & 2 bedrooms

The project will include after school programs of an ongoing nature (tutoring, mentoring, homework club, and art and recreation activities) and the project will provide instructor-led educational health and wellness or skill building classes (such as financial literacy, computer training, home-buyer education, GED, resume building, ESL, nutrition, exercise, health info/awareness, parenting, onsite food cultivation and preparation and smoking cessation)

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 36,375,816
Estimated Hard Costs per Unit: \$ 183,462 (\$24,950,865 /136 units)
Estimated per Unit Cost: \$ 267,469 (\$36,375,816 /136 units)
Allocation per Unit: \$ 163,133 (\$22,186,052 /136 units)
Allocation per Restricted Rental Unit: \$ 264,120 (\$22,186,052 /84 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 22,186,052	\$ 12,726,317
Developer Equity	\$ 1,500,000	\$ 1,500,000
LIH Tax Credit Equity	\$ 879,950	\$ 8,799,498
Direct & Indirect Public Funds	\$ 8,940,263	\$ 12,100,001
Other	\$ 2,869,551	\$ 1,250,000
Total Sources	\$ 36,375,816	\$ 36,375,816

Uses of Funds:	
Acquisition/Land Purchase	\$ 1
On & Off Site Costs	\$ 1,364,879
Hard Construction Costs	\$ 23,585,986
Architect & Engineering Fees	\$ 956,542
Contractor Overhead & Profit	\$ 2,016,583
Developer Fee	\$ 2,500,000
Cost of Issuance	\$ 417,321
Capitalized Interest	\$ 778,511
Other Soft Costs (Marketing, etc.)	\$ 4,755,993
Total Uses	\$ 36,375,816

Description of Financial Structure and Bond Issuance:

This is a J.P. Morgan Chase private placement transaction with the bonds being issued by the Housing Authority of the City of Sacramento. Construction loan terms are Libor plus 160 Basis points with a 30 month maturity. Permanent loan terms will be renegotiated at the end of the construction loan.

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: 79.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$22,186,052 in tax exempt bond allocation on a carryforward basis.

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	17
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	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.5
Service Amenities	10	10	10
New Construction	10	10	10
Sustainable Building Methods	10	10	10
Negative Points	-10	-10	0
Total Points	130	100	79.5

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.