

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**December 16, 2015**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Brian Clark*

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**Applicant:** Housing Authority of the County of Sacramento

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**Allocation Amount Requested:**

**Tax-exempt:** \$7,400,000

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**Project Information:**

**Name:** Ethan Terrace Apartments  
**Project Address:** 1820-1824 Ethan Way  
**Project City, County, Zip Code:** Sacramento, Sacramento, 95825

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**Project Sponsor Information:**

**Name:** Ethan Terrace Venture, LP (Ethan Terrace GP, LLC and Pacific Southwest Community Development Company)  
**Principals:** Sydne Garchik and Stephen Garchik for Ethan Terrace GP, LLC; Robert W. Laing for Pacific Southwest Community Development Company)  
**Property Management Company:** Apartment Management Consultants, LLC

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**Project Financing Information:**

**Bond Counsel:** Orrick, Herrington & Sutcliffe, LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Jones Lang LaSalle Multifamily, LLC; RBC Capital Markets, LLC (public offering)  
**TEFRA Adoption Date:** November 10, 2015

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**Description of Proposed Project:**

**State Ceiling Pool:** General  
**Total Number of Units:** 91, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

The Project, constructed in 1965, is located on a 2.50 acre site in Sacramento. The Project, consisting of 2 two-story residential buildings, a clubhouse and 104 parking spaces; houses 91 tenant units (64 one-bedroom units and 27 two-bedroom units) and a single one-bedroom manager's unit. Unit amenities include wall-mounted AC and heating units, blinds, carpeting, stove/oven, refrigerator and garbage disposal. Site amenities include a laundry room, swimming pool, BBQ/picnic area and onsite management. Unit rehabilitation will include new kitchen appliances, cabinets, countertops, kitchen and bathroom flooring, low-flow or energy efficient fixtures, smoke detectors and painting. Exterior renovations will include asphalt paving/coating, landscaping and signage updates, common area amenity upgrades, painting, system repairs, improvements to CCTV and gate entry, roof repairs and coating, new trash enclosures, new pool fencing and pool deck improvements. Rehabilitation is expected to start in March 2016 and will last until approximately the end of December 2016.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%

22% (20 units) restricted to 50% or less of area median income households.

78% (71 units) restricted to 60% or less of area median income households.

**Unit Mix:** 1 & 2 bedrooms

The proposed project will provide the following service amenities: after school programs, and instructor-led educational, health and wellness or skill building classes.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

|   |               |                                    |
|---|---------------|------------------------------------|
| <b>Estimated Total Development Cost:</b>      | \$ 15,625,686 |                                    |
| <b>Estimated Hard Costs per Unit:</b>         | \$ 53,920     | (\$4,906,714 /91 units)            |
| <b>Estimated per Unit Cost:</b>               | \$ 171,711    | (\$15,625,686 /91 units)           |
| <b>Allocation per Unit:</b>                   | \$ 81,319     | (\$7,400,000 /91 units)            |
| <b>Allocation per Restricted Rental Unit:</b> | \$ 81,319     | (\$7,400,000 /91 restricted units) |

| <b>Sources of Funds:</b>       | Construction         | Permanent            |
|--------------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds       | \$ 7,400,000         | \$ 5,700,000         |
| Developer Equity               | \$ 0                 | \$ 765,301           |
| LIH Tax Credit Equity          | \$ 4,759,294         | \$ 4,918,135         |
| Direct & Indirect Public Funds | \$ 3,224,142         | \$ 4,000,000         |
| Cash Flow During Construction  | \$ 242,250           | \$ 242,250           |
| <b>Total Sources</b>           | <b>\$ 15,625,686</b> | <b>\$ 15,625,686</b> |

| <b>Uses of Funds:</b>                |                      |
|--------------------------------------|----------------------|
| Acquisition/Land Purchase            | \$ 6,755,100         |
| Hard Construction Costs              | \$ 4,906,714         |
| Architect & Engineering Fees         | \$ 105,000           |
| Contractor Overhead & Profit         | \$ 337,122           |
| Developer Fee                        | \$ 2,025,663         |
| Relocation                           | \$ 165,000           |
| Cost of Issuance                     | \$ 899,852           |
| Operating & Debt Reserves            | \$ 188,985           |
| Construction and Permanent Financing | \$ 242,250           |
| <b>Total Uses</b>                    | <b>\$ 15,625,686</b> |

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**Description of Financial Structure and Bond Issuance:**

During the construction financing phase the Jones Lang LaSalle Multifamily, LLC loan (private placement purchase) term will be for 36 months with a fixed interest rate of 4.25%. The RBC Capital Markets loan (public offering) will be for a term of 12 months with a fixed interest rate of 1.00%. During the permanent financing phase, the Jones Lang LaSalle Multifamily, LLC loan term will be for 16 years with an amortization period of 35 years at a fixed rate of 4.25%. There was no underwritten rate provided.

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**Analyst Comments:**

Not Applicable

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**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.

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**Total Points:** 59 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$7,400,000 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<br>[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   | 0             |
| Service Amenities   | 10   | 10   | 10            |
| New Construction  | 10   | 10   | 0             |
| Sustainable Building Methods  | 10   | 10   | 3             |
| Negative Points   | -10  | -10  | 0             |
| <b>Total Points</b>   | <b>130</b>   | <b>100</b>                                       | <b>59</b>     |

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.