

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 16, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Devon King

Applicant: Housing Authority of the County of Santa Barbara

Allocation Amount Requested:
Tax-exempt: \$20,000,000

Project Information:
Name: Positano Apartments
Project Address: 11 Camino de Vida
Project City, County, Zip Code: Santa Barbara, Santa Barbara, 93111

Project Sponsor Information:
Name: Positano Apartments L.P. (Housing Authority of the County of Santa Barbara and Surf Development Company)
Principals: Robert P. Havlicek Jr and Irene Melton for the Housing Authority of the County of Santa Barbara, and Surf Development Company along with Raymond F. Down, and Joyce Howerton
Property Management Company: Housing Authority of the County of Santa Barbara

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Berkeley Point Capital
TEFRA Noticing Date: July 31, 2015
TEFRA Adoption Date: August 25, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 116, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project will be an acquisition/rehabilitation built in 1997 located in Santa Barbara. This multi-family rental property has 12 two-story walk-up and townhouse buildings, with a total of 118 units. Site Amenities include a patio/balcony, carpeting, blinds throughout, walk-in closet and coat closet. Kitchen appliances include a refrigerator, stove and dishwasher. Project Amenities include a community room, picnic area, playground, extra storage, laundry rooms, on-site management, on-site maintenance and 90 carport parking spaces and 140 surface parking spaces. The unit mix consists of 30 one-bedroom units, 42 two-bedroom units and 46 three-bedroom apartments. The subject improvements will consist of primarily non-structural improvements to the interiors and exteriors of the structures. Exterior improvements will include repair and/or replacement of damage or deteriorated trim and siding, new energy-efficient site lighting and upgrades to the accessible route. Interior improvements vary by unit and will include replacement of worn or damaged flooring, select kitchen cabinets and bath cabinets and plumbing fixtures. Appliances will also be replaced with more energy-efficient models. Entry doors will be replaced with more energy-efficient types. The determination of which units this applies to has been made on a unit by unit basis based on current condition. In addition, the project will be reducing irrigation water use by 25% or more and upgrading landscaping to more drought tolerant varieties.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (116 units) restricted to 50% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

The proposed project will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 39,757,841	
Estimated Hard Costs per Unit:	\$ 58,448	(\$6,780,000 /116 units)
Estimated per Unit Cost:	\$ 342,740	(\$39,757,841 /116 units)
Allocation per Unit:	\$ 172,414	(\$20,000,000 /116 units)
Allocation per Restricted Rental Unit:	\$ 172,414	(\$20,000,000 /116 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 20,000,000	\$ 20,000,000
Deferred Developer Fee	\$ 4,016,691	\$ 2,051,693
LIH Tax Credit Equity	\$ 7,200,216	\$ 13,415,214
Seller Carryback Loan	\$ 6,236,000	\$ 1,986,000
Public Funds (HACSB CDBG Program Income)	\$ 1,571,763	\$ 1,571,763
Other (Accrued Interest on Soft Loans)	\$ 114,000	\$ 114,000
Other (Net Operating Income)	\$ 619,171	\$ 619,171
Total Sources	\$ 39,757,841	\$ 39,757,841

Uses of Funds:	
Land Cost/Acquisition	\$ 22,640,000
Rehabilitation	\$ 8,559,200
New Construction	\$ 1,187,930
Architectural Fees	\$ 100,000
Permanent Financing	\$ 172,860
Legal Fees	\$ 110,000
Reserves	\$ 945,712
Contingency Cost	\$ 772,920
Appraisal	\$ 10,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 587,529
Developer Costs	\$ 4,671,690
Total Uses	\$ 39,757,841

Description of Financial Structure and Bond Issuance:

The proposed financial structure will be a private placement by Berkeley Point Capital utilizing Freddie Mac's CME and TEL programs. During the construction financing phase the loan term will be for 30 months with a fixed interest rate of 1.94% as of June 26, 2015. During the permanent financing phase, the loan term will be for 18 years with an amortization period of 35 years at a fixed rate of 4.36% at 230bps over the 10 Year Treasury which was estimated to be 2.06% as of October 6, 2015. There was no underwritten rate provided.

Analyst Comments:

None

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: 76.5 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$20,000,000 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
Preservation Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	2.5
Service Amenities	10	10	9
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	0
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	0
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	0
Negative Points (No Maximum)	-10	-10	0
Total Points	140	120	76.5

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.