

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**May 18, 2016**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Devon King*

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

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**Allocation Amount Requested:**  
**Tax-exempt:** \$4,500,000

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**Project Information:**  
**Name:** Pensione K Apartment  
**Project Address:** 1100 17th Street  
**Project City, County, Zip Code:** Sacramento, Sacramento, 95811

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**Project Sponsor Information:**  
**Name:** 1702 Studio Housing Partners L.P. (Pacific Housing and Barone Galasso & Associates, Inc.)  
**Principals:** Mark Wiese for Pacific Housing; Jim Barone and Michael Galasso for Barone Galasso & Associates, Inc.  
**Property Management Company:** Barone Galasso and Associates, Inc.

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe, LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Citibank, N.A.  
**TEFRA Noticing Date:** February 19, 2016  
**TEFRA Adoption Date:** March 8, 2016

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 127, plus 2 manager units  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

The subject site, Pensione K apartments, is located at 1100 17th Street in Sacramento. The site targets general occupancy individuals with incomes of up to 30%, 40%, 50%, and 60% of the Area Median Income (AMI). The multi-family property has one 4-story apartment building containing 129 apartment units including a singular common area laundry room and kitchen. The site area is approximately 0.44 acres. Construction of the property was completed in 1994. On-site amenities include 1 laundry room. The project will undergo substantial interior and exterior renovations to improve the overall quality of the project and extend the site's usefulness. These renovations are anticipated to include, but may not be limited to the following: improvements to site lighting, resurface and stripe parking lot, update/improve current landscaping around property grounds, install new property sign, repair/replace roofing and exterior doors where needed, replace flooring where needed, install new kitchen appliances, cabinets and countertops, paint the interiors of all the units, install new bathroom fixtures, replace/refurbish tubs and tub surrounds as needed. The project is expected to begin renovation in June and complete by January 2017.

**Description of Public Benefits:**

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

97% (123 units) restricted to 50% or less of area median income households.

3% (4 units) restricted to 60% or less of area median income households.

**Unit Mix:** Studio

The proposed project will be providing instructor led educational, health, and wellness or skill building classes as a service amenity

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 8,622,738	
<b>Estimated Hard Costs per Unit:</b>	\$ 16,350	(\$2,076,485 /127 units)
<b>Estimated per Unit Cost:</b>	\$ 67,896	(\$8,622,738 /127 units)
<b>Allocation per Unit:</b>	\$ 35,433	(\$4,500,000 /127 units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 35,433	(\$4,500,000 /127 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 4,500,000	\$ 3,000,000
NOI During Construction	\$ 176,514	\$ 176,514
LIH Tax Credit Equity	\$ 899,796	\$ 2,399,796
Deferred Developer Fee	\$ 195,000	\$ 195,000
SHRA New Loan	\$ 1,190,000	\$ 1,190,000
SHRA Existing Funds	\$ 1,752,628	\$ 1,661,428
<b>Total Sources</b>	<b>\$ 8,713,938</b>	<b>\$ 8,622,738</b>

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 3,708,800
Rehabilitation	\$ 2,398,340
Relocation	\$ 437,485
Architectural Fees	\$ 75,000
Construction Interest and Fees	\$ 150,000
Permanent Financing	\$ 131,185
Legal Fees	\$ 155,000
Reserves	\$ 250,000
Appraisal	\$ 6,500
Contingency Cost	\$ 239,834
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 278,441
Developer Costs	\$ 792,153
<b>Total Uses</b>	<b>\$ 8,622,738</b>

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

The proposed financial structure will be a private placement transaction provided by Citibank N.A. During the construction financing phase the loan term will be for 24 months with a variable interest rate equal to the 1 month LIBOR plus a spread of 2.50%. During the permanent financing phase, the loan term will be for 30 years with an amortization period of 35 years at a fixed rate equal to the sum of the 17 year LIBOR Swap Index plus a spread of 2.50%.

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**Analyst Comments:**

The proposed project has commercial and residential costs presented in the permanent financing. Per CDLAC regulations commercial costs cannot be covered by a tax exempt bond allocation. Therefore the uses of funds as well as the cost per unit calculation reflects residential costs only.

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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:** 75 out of 140

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$4,500,000 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	20
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	0
Service Amenities	10	10	5
New Construction or Substantial Renovation	10	10	0
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
<b>Total Points</b>	<b>140</b>	<b>110</b>	<b>75</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.