

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 20, 2016
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 San Luis Obispo**

Allocation Amount Requested:
Tax-exempt: \$10,000,000

Project Information:
Name: Iron Works Apartments
Project Address: 3680 Broad Street
Project City, County, Zip Code: San Luis Obispo, San Luis Obispo, 93401

Project Sponsor Information:
Name: TBF, L.P. (SLO Non-Profit, LLC & SLO Iron Works, LLC)
Principals: Scott Smith for SLO Non-Profit, LLC and Jim Rendler for SLO Iron Works, LLC
Property Management Company: The Housing Authority of the City of San Luis Obispo

Project Financing Information:
Bond Counsel: Quint & Thimmig LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Noticing Date: April 6, 2016
TEFRA Adoption Date: April 19, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 45, plus 1 manager unit
Type: New Construction
Type of Units: Family

Iron Works will be a new affordable housing community featuring 46 apartment units located on the southern edge of the City of San Luis Obispo. The proximity of multiple amenities such as transit, grocery, pharmacy, medical clinic, parks and employment opportunities make this an ideal affordable housing location. The approximately 1.62 acre site is flat and rectangular in shape and is vacant and unimproved. The project will feature 12 one bedroom units, 18 two bedroom units and 15 three bedroom units. Additionally, there will be a two bedroom onsite manager unit. There will be a common laundry room with 5 washers and 5 dryers for residents' needs. There will be a community space of approximately 1,866 square feet to provide resident service programs and for use by community residents for such events as birthday parties and holidays. Construction is anticipated to start in December 2016 and should take 12 months. Initial occupancies are planned for January 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
13% (6 units) restricted to 50% or less of area median income households.
87% (39 units) restricted to 60% 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:	\$	15,093,323	
Estimated Hard Costs per Unit:	\$	177,223	(\$7,975,040 /45 units)
Estimated per Unit Cost:	\$	335,407	(\$15,093,323 /45 units)
Allocation per Unit:	\$	222,222	(\$10,000,000 /45 units)
Allocation per Restricted Rental Unit:	\$	222,222	(\$10,000,000 /45 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 10,000,000	\$ 5,696,915
LIH Tax Credit Equity	\$ 865,936	\$ 6,000,722
Deferred Developer Fee	\$ 1,253,887	\$ 422,186
SLO Housing Trust Fund Loan	\$ 460,000	\$ 460,000
City of San Luis Obispo Loan	\$ 1,912,753	\$ 1,912,753
County SLO HOME & CDBG Loan	\$ 505,596	\$ 505,596
Accrued/Deferred Interest on Loans	\$ 95,151	\$ 95,151
Total Sources	<u>\$ 15,093,323</u>	<u>\$ 15,093,323</u>

Uses of Funds:	
Land Cost/Acquisition	\$ 1,360,000
New Construction	\$ 8,696,702
Architectural Fees	\$ 185,000
Survey and Engineering	\$ 165,000
Construction Interest and Fees	\$ 776,542
Permanent Financing	\$ 50,200
Legal Fees	\$ 140,000
Reserves	\$ 303,199
Contingency Cost	\$ 439,037
Local Development Impact Fees	\$ 1,013,137
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 243,711
Developer Costs	<u>\$ 1,720,795</u>
Total Uses	<u>\$ 15,093,323</u>

Description of Financial Structure and Bond Issuance:

This is a Housing Authority of the City of San Luis Obispo issued private placement transaction. The Private Placement construction/permanent financing will be done by Citibank, N.A. During the construction financing phase the loan term will be for 24 months with a fixed interest rate of 3.76% . During the permanent financing phase, the loan term will be for 15 years with an amortization period of 35 years at a fixed rate of 5.25%.

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: 74.5 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$10,000,000 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	27
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	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	7.5
Service Amenities	10	10	0
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	74.5

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.