

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 16, 2011
Staff Report
*REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT*

Prepared by: Sarah Lester

Applicant: California Housing Finance Agency

Allocation Amount Requested:
Tax-exempt: \$14,000,000

Project Information:
Name: Pioneer Towers Apartments
Project Address: 515 P Street
Project City, County, Zip Code: Sacramento, Sacramento, 95814

Project Sponsor Information:
Name: Pioneer Towers RHF Partners, LP (Pioneer Towers RHF Housing, LLC; and Pioneer Towers, a California nonprofit)
Principals: Kevin M. Manz

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Citibank, N.A. / Freddie Mac
Private Placement Purchaser: Not Applicable
TEFRA Hearing Date: February 9, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 197, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

The proposed project is a 12-story building that contains a total of 198 one-bedroom apartments, including one unit set aside for the on-site manager. The building is approximately 153,396 square feet and has 61 surface parking spaces. The property has operated as a HUD project-based Section 8 project with a Housing Assistance Payments contract for 100 units since 1978. The contract is annually renewed but recently in anticipation of applying for Housing Tax Credits has been renewing at six (6) month increments. The sponsor will seek a 20-year HAP Contract from HUD when the property is awarded the credits. According to the Applicant, this new partnership is proposed to re-finance the property and provide significant rehabilitation improvements to include exterior building and structure refurbishment, including upgrading landscaping, fire control systems, plumbing, mechanical, lighting and HVAC systems, repainting interiors of all 12 floors, replacing front and back building awnings, adding new furniture in lobby and corridors for all 12 floors, among other substantial improvements.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 80%
30% (60 units) restricted to 50% or less of area median income households.
49% (97 units) restricted to 60% or less of area median income households.
Unit Mix: 1 bedroom

The project is an affordable housing facility that has been meeting the needs of low-income elderly residents in Sacramento, CA for 32 years. The site is in close proximity to retail services, parks, and public transportation across the street from the site. The site includes a senior center.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	31,220,744	
Estimated Hard Costs per Unit:	\$	35,463	(\$6,986,276 /197 units)
Estimated per Unit Cost:	\$	158,481	(\$31,220,744 /197 units)
Allocation per Unit:	\$	71,066	(\$14,000,000 /197 units)
Allocation per Restricted Rental Unit:	\$	89,172	(\$14,000,000 /157 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 14,000,000	\$ 12,161,000
Developer Equity	\$ 600	\$ 600
LIH Tax Credit Equity	\$ 1,339,278	\$ 5,822,950
Seller Purchase Note	\$ 12,036,194	\$ 12,036,194
Other	\$ 1,200,000	\$ 1,200,000
Total Sources	\$ 28,576,072	\$ 31,220,744

Uses of Funds:	
Acquisition Cost	\$ 14,810,000
On & Off Site Costs	\$ 469,929
Hard Construction Costs	\$ 6,516,347
Architect & Engineering Fees	\$ 750,000
Contractor Overhead & Profit	\$ 526,478
Developer Fee	\$ 2,445,000
Relocation	\$ 1,699,500
Cost of Issuance	\$ 274,900
Other Soft Costs	\$ 3,728,590
Total Uses	\$ 31,220,744

Description of Financial Structure and Bond Issuance:

Citibank, N.A. will service the loan and provide a Freddie Mac credit enhancement and liquidity facility. The Credit Facility will provide credit enhancement and liquidity support for tax-exempt bonds to be issued by the California Housing Finance Agency. Citibank shall obtain a commitment from Freddie Mac in respect of the Credit Facility upon request of the Borrower. Upon the issuance of the bonds, Freddie Mac will issue its Credit Facility to support the Bonds. The proceeds of the Bonds will be used to fund the mortgage loan.

Analyst Comments:

N/A

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: 70.3 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$14,000,000 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
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	31
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	8.8
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	15	15	5
Site Amenities	10	10	7.5
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	8	8	3
Negative Points	-10	-10	0
Total Points	118	98	70.3

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.