

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 20, 2011
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: California Municipal Finance Authority

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

Project Information:
Name: Santa Fe Commons Apartments
Project Address: 441-443, 446-448, 452-454, 458 E. 9th St., 438 E. Santa Fe Ave. and 1065 Beacon St.
Project City, County, Zip Code: Pittsburg, Contra Costa, 94565

Project Sponsor Information:
Name: 9th Stree Associates, LP (AHCDC Pittsburg 3, LLC and DOMUS GP, LLC)
Principals: Joseph A. Stalzer for AHCDC Pittsburg 3, LLC.; and Meea Kang, Jong Limb and Monique Hastings for DOMUS Development, LLC
Property Management Company: DOMUS Management Company

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: US Bank National Association
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: US Bank National Association
TEFRA Hearing Date: April 18, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 29, plus 1 manager unit
Type: New Construction
Type of Units: Family

The proposed project is a new construction project with a total of 29 units across three scattered sites. The overall project will consist of 6 one-bedroom units 15 two-bedroom units, 4 three-bedroom units and 2 four-bedroom units. Site # 1 consists of four parcels totaling 0.4 acres. It will consist of one new level three-bedroom two bathroom single family home will be constructed on each lot. The scope of the project includes the demolition of a dilapidated multifamily structure originally built in 1934. Construction is expected to begin in the Fall of 2011 and be completed by Spring of 2012. Site # 2 consists of one 0.126 acre parcel that currently has six studio apartments surrounding a central courtyard. Lead and asbestos-containing materials have been identified on site and therefore may require mitigation. The new proposed building expands the unit sizes to one-bedroom units. Construction is expected to begin in the Fall of 2011 and be completed by October 2012. Site # 3 consists of four adjacent parcels totaling 0.75 acres. The site is currently vacant. The proposed project will consist of the new construction of 20 flat style units consisting of 16 two-bedroom and 4 three-bedroom units. Site work has already commenced, and construction is expected to be completed by July 2012.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
48% (14 units) restricted to 50% or less of area median income households.
52% (15 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2, 3 & 4 bedrooms

There are no service amenities provided on the project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 8,693,858	
Estimated Hard Costs per Unit:	\$ 16,211	(\$470,108 /29 units)
Estimated per Unit Cost:	\$ 299,788	(\$8,693,858 /29 units)
Allocation per Unit:	\$ 155,172	(\$4,500,000 /29 units)
Allocation per Restricted Rental Unit:	\$ 155,172	(\$4,500,000 /29 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 4,500,000	\$ 1,450,000
Deferred Developer Fee	\$ 718,252	\$ 311,238
LIH Tax Credit Equity	\$ 487,269	\$ 3,248,461
Direct & Indirect Public Funds	\$ 2,988,337	\$ 3,684,159
Total Sources	\$ 8,693,858	\$ 8,693,858

Uses of Funds:	
Acquisition	\$ 0
New Construction Costs	\$ 5,352,801
Architectural	\$ 214,000
Survey & Engineering	\$ 202,200
Contingency Costs	\$ 450,004
Construction Period Expenses	\$ 345,079
Permanent Financing Expenses	\$ 50,392
Legal Fees	\$ 120,000
Capitalized Reserves	\$ 131,569
Reports & Studies	\$ 51,192
Other (Marketing, etc)	\$ 722,576
Developer Costs	\$ 1,054,045
Total Uses	\$ 8,693,858

Description of Financial Structure and Bond Issuance:

The proposed project will utilize a private placement financial structure provided by US Bank National Association who will directly purchase the tax-exempt bonds by way of funding a \$4,500,000 loan. US Bank will retain the bonds as collateral together with holding a deed of trust on the property. It will offer a tax-exempt rate of interest during both the construction and permanent phases of the project. The interest will be at a rate of 30-day LIBOR plus 250 basis points. The bonds will be issued in two series. Series 1: the Convertible Loan-Note in the amount of \$1,450,000 represents the 20-year permanent loan with a 20-year amortization. Series 2: the Construction Loan-Note in the amount of \$2,050,000 represents the 17-month construction period, interest only payments, and redeemed at conversion using subordinate and tax credit equity funds, provided by Alliant Capital, LTD. Proceeds from the series will be utilized during construction.

Analyst Comments:

The project will also utilize a total of \$3,684,159 in Neighborhood Stabilization Program Loans (\$2,095,822 from the California Department of Housing and Community Development and \$1,588,337 from the City of Pittsburg Redevelopment Agency - *Disposition, Development and Loan Agreement* dated March 21, 2011)

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: 70.5 out of 118
[See Attachment A]

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
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [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	7.5
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	8	8	3
Negative Points	-10	-10	0
Total Points	118	98	70.5

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.