

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 14, 2011
Staff Report
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT**

Prepared by: Crystal Alvarez

Applicant: Housing Authority of the City of Sacramento

Allocation Amount Requested:
Tax-exempt: \$3,125,000

Project Information:
Name: Kelsey Village Apartments
Project Address: 2830 Stockton Boulevard
Project City, County, Zip Code: Sacramento, Sacramento, 95817

Project Sponsor Information:
Name: Kelsey Village, L.P. (Satellite Kelsey Village, Inc.)
Principals: Nina Marinkovich, Elizabeth Orlin, M. Brant Watson, Ronald Nelson and Ryan Chao
Property Management Company: Domus Management Company

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Wells Fargo Bank, N.A. (Construction)/ HUD 811 Program
TEFRA Hearing Date: August 9, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 19, plus 1 manager unit
Type: New Construction
Type of Units: Family/Special Needs

Kelsey Village Apartments will be located on 0.7 acres at 2830 Stockton Blvd, in Sacramento. The site formerly know as the San Carlos Motel was constructed in the early 1960's and rehabilitated in 1979 as a independent living facility for mentally disabled adults. The project sponsor and developer will demolish the existing dilapidated building and replace it with 18 one-bedroom units, 1 two-bedroom units and 1 two-bedroom manager unit. The new energy efficient building features rooftop solar panels among other green elements. At least 15 of the 20 new units will be restricted to low-income developmentally disabled households. In and effort to provide the most independence for the residents, the building is designed for maximum flexibility and mobility. Community amenities include an outdoor terrace, lawn, and a community garden. An on-site community room is included in the building and will host social service provisions, recreation activities and an administrative office for case management and service coordination.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (19 units) restricted to 50% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

The project sponsor has committed to providing a bona fide service coordinator/social worker for a period of 10 years.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

| | | |
|---|--------------|------------------------------------|
| Estimated Total Development Cost: | \$ 5,840,074 | |
| Estimated Hard Costs per Unit: | \$ 136,689 | (\$2,597,084 /19 units) |
| Estimated per Unit Cost: | \$ 307,372 | (\$5,840,074 /19 units) |
| Allocation per Unit: | \$ 164,474 | (\$3,125,000 /19 units) |
| Allocation per Restricted Rental Unit: | \$ 164,474 | (\$3,125,000 /19 restricted units) |

| Sources of Funds: | Construction | Permanent |
|--------------------------------|--------------|--------------|
| Tax-Exempt Bond Proceeds | \$ 3,125,000 | \$ 0 |
| Deferred Developer Fee | \$ 551,319 | \$ 157,208 |
| LIH Tax Credit Equity | \$ 293,755 | \$ 1,958,366 |
| Direct & Indirect Public Funds | \$ 1,870,000 | \$ 3,724,500 |
| Total Sources | \$ 5,840,074 | \$ 5,840,074 |

| Uses of Funds: | |
|------------------------------------|--------------|
| Land Purchase | \$ 295,000 |
| On & Off Site Costs | \$ 504,038 |
| Hard Construction Costs | \$ 2,597,084 |
| Architect & Engineering Fees | \$ 321,081 |
| Contractor Overhead & Profit | \$ 140,270 |
| Developer Fee | \$ 642,976 |
| Cost of Issuance | \$ 72,578 |
| Capitalized Interest | \$ 152,344 |
| Other Soft Costs (Marketing, etc.) | \$ 1,114,705 |
| Total Uses | \$ 5,840,076 |

Description of Financial Structure and Bond Issuance:

The tax-exempt bonds will be privately placement with Wells Fargo Bank, N.A. for the construction loan. The bonds will be issued in the form of a Loan-Note with a 20 month term and interest only payments. The loan shall bear interest at a rate per annum equal to 30-day LIBOR Rate plus 275 bps. The permanent loan commitment will be provided through the HUD 811 program.

Analyst Comments:

The proposed project was received as a forward commitment in September of 2011 due to the HUD 811 program process.

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: 87.5 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$3,125,000 in tax exempt bond allocation on a carryforward basis.

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 | 15 |
| Site Amenities | 10 | 10 | 7.5 |
| Service Amenities | 10 | 10 | 5 |
| New Construction | 10 | 10 | 10 |
| Sustainable Building Methods | 8 | 8 | 0 |
| Negative Points | -10 | -10 | 0 |
| Total Points | 118 | 98 | 87.5 |

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.