

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: Annie Ong

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$15,172,020

Project Information:
Name: Logan Place Apartments
Project Address: 1200 Petaluma Blvd. N
Project City, County, Zip Code: Petaluma, Sonoma, 94952

Project Sponsor Information:
Name: To be formed Limited Partner (Burbank Housing Development Corporation and Burbank Housing Communities Corp.)
Principals: For both entities: John Lowry, Cindi Johnson, and Chuck Cornell
Property Management Company: Burbank Housing Management Corporation (BHMC)

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Wells Fargo Bank , N.A.
TEFRA Hearing Date: September 19, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 65, plus 1 manager unit
Type: New Construction
Type of Units: Family

The project is located on a vacant parcel of 2.61 acres in Petaluma. All of the project's units will be targeted to individuals and families making 50% of AMI or less. Unit sizes range from studios to 3-BR apartments. The project will include four 3-story buildings and one 4-story podium building. Amenities will include outdoor common areas, a turf area, tot-lot, and a sports court. There will also be an indoor community room, laundry room, and office space.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (65 units) restricted to 50% or less of area median income households.
Unit Mix: Studio, 1, 2 & 3 bedrooms

Service amenities will not be provided

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 27,527,133	
Estimated Hard Costs per Unit:	\$ 225,862	(\$14,681,039 /65 units)
Estimated per Unit Cost:	\$ 423,494	(\$27,527,133 /65 units)
Allocation per Unit:	\$ 233,416	(\$15,172,020 /65 units)
Allocation per Restricted Rental Unit:	\$ 233,416	(\$15,172,020 /65 restricted units)

The Project has total project costs that appear high for the geographic area in which it is located. According to the Project sponsor, the high cost is due to: 1) higher than average City impact fees of \$35,000 per unit 2) land was purchased three years ago and represents approximately \$30,000 per unit due to high demand for sites in close proximity to city shopping and services and downtown 3) in order to maximize this ideal infill site a higher density project was designed which incorporate a 5 story podium style building with higher construction costs but helps to achieve a net density of 26 units per acre and 4) project will be subject to prevailing wages which puts upward pressure on construction cost.

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 15,172,020	\$ 1,032,000
Deferred Developer Fee	\$ 1,468,000	\$ 1,468,000
LIH Tax Credit Equity	\$ 1,469,263	\$ 9,795,091
Direct & Indirect Public Funds	\$ 6,650,000	\$ 15,232,042
Other (Costs deferred until perm loan close)	\$ 2,767,850	\$ 0
Total Sources	\$ 27,527,133	\$ 27,527,133
Uses of Funds:		
Land Purchase	\$ 2,000,000	
On & Off Site Costs	\$ 2,179,540	
New Construction Costs	\$ 12,501,499	
Architect & Engineering Fees	\$ 1,091,797	
Contractor Overhead & Profit	\$ 1,096,210	
Developer Fee	\$ 2,475,000	
Cost of Issuance	\$ 329,823	
Capitalized Interest	\$ 1,027,272	
Other Soft Costs (Marketing, etc.)	\$ 4,825,992	
Total Uses	\$ 27,527,133	

Description of Financial Structure and Bond Issuance:

Wells Fargo Bank will purchase the tax-exempt bonds for this project. The bonds purchases will be for a total of \$15,172,020. The bonds will be paid down to the permanent period amount of \$1,032,000 and purchased by California Community Reinvestment Corporation at permanent loan conversion. The construction period loan shall mature 23 months after the recordation of the deed of trust securing the loan. The interest rate will be variable at a rate per annum equal to 30-day LIBOR plus 2.50%. The term of the permanent loan shall be 15 years after the date of conversion and have an interest rate at the greater of 6% of the 15-year AAA municipal bond index plus 175 bps. Upon conversion to the permanent loan period, the borrower shall make equal payments of interest and principal based on a 15-year amortization schedule.

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: 80 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$15,172,020 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]	10
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	8	8	0
Negative Points	-10	-10	0
Total Points	118	98	80

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.