

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 21, 2012
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$5,910,000

Project Information:
Name: Sonoma Gardens Apartments
Project Address: 3330-3336 Santa Rosa Avenue
Project City, County, Zip Code: Unincorporated, Sonoma, 95407

Project Sponsor Information:
Name: Santa Rosa Pacific Associates, LP (Central Valley Coalition for Affordable Housing; TPC Holdings V, LLC and West Coast Real Estate Ventures, LLC)
Principals: Christina Alley, Jennifer Bertuccio, Alan Jenkins, Sid McIntyre Renee Downum and Steve Simmons for CVCAH; Caleb Roope for TPC Holdings V, LLC; and Mike Kelley for West Coast Real Estate Ventures, Inc.)
Property Management Company: U. S. Residential Group (fka Pacific West Management)

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe, LLP
Underwriter: US Bank
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: US Bank National Associations
TEFRA Hearing Date: October 4, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 59, plus 1 manager unit
Type: New Construction
Type of Units: Family

The proposed project is a 60-unit new construction project located on a 3.9-acre parcel located within Sonoma County. With a mix of 12 one-bedroom units, 36 two-bedroom units and 12 three-bedroom units, the proposed project will target families earning up to 60% of the area median income. The project will include a nearly 2,000 square foot community building which will consist of an office, maintenance room, computer learning center, laundry facilities and a community / TV room with a kitchen. The development will also include a large playground, a covered picnic area with a barbecue area, community gardens and an outdoor meeting area.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
10% (6 units) restricted to 50% or less of area median income households.
90% (53 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

According to the Applicant, there will be no service amenities provided.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 11,400,009	
Estimated Hard Costs per Unit:	\$ 94,787	(\$5,592,410 /59 units)
Estimated per Unit Cost:	\$ 193,220	(\$11,400,009 /59 units)
Allocation per Unit:	\$ 100,169	(\$5,910,000 /59 units)
Allocation per Restricted Rental Unit:	\$ 100,169	(\$5,910,000 /59 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 5,910,000	\$ 4,550,000
Deferred Developer Fee	\$ 1,488,232	\$ 575,000
LIH Tax Credit Equity	\$ 2,001,777	\$ 4,275,009
Direct & Indirect Public Funds	\$ 2,000,000	\$ 2,000,000
Total Sources	\$ 11,400,009	\$ 11,400,009

Uses of Funds:	
Land Purchase	\$ 755,000
On & Off Site Costs	\$ 980,000
Hard Construction Costs	\$ 4,612,410
Architect & Engineering Fees	\$ 660,000
Contractor Overhead & Profit	\$ 399,427
Developer Fee	\$ 1,328,091
Cost of Issuance	\$ 267,950
Capitalized Interest	\$ 275,000
Other Soft Costs (Marketing, etc.)	\$ 2,122,131
Total Uses	\$ 11,400,009

Description of Financial Structure and Bond Issuance:

The Project will be financed using a private-placement tax exempt bond structure provided by US Bank. The \$5,910,000 bond issuance through California Statewide Communities Development Authority (CSCDA) with an interest Rate 3.93%, for a term of 24 months and will only consist of tax-exempt debt with 100% of the proceeds immediately escrowed with a bond trustee to be drawn down on a monthly basis for the project. Other sources of financing include an RDA Loan from the County of Sonoma in two increments. The first in the amount of \$1,125,000 and the second in the amount of \$875,000 (interest rate 3%, for a term and amortization period of 55 years). Low-income housing tax credit equity in the amount of \$2,001,777 will be paid during construction. Additionally, the developers will be deferring \$1,328,091 of the developer fee and the owners will defer \$160,141 during construction. Upon lease-up of the entire project, the remainder of the low-income housing tax credit equity in the amount of \$4,275,009 will be available to pay the tax-exempt bond debt down to the \$4,550,000 (interest rate 5.35%, term 15 years and amortized for 30 years) level that can be supported by project operations, as well as pay down the deferred developer fee of \$575,000 and pay down the owner's deferral to \$0. The bonds will be issued by the CSCDA no later than April 20, 2012 pending satisfaction of the closing conditions identified in the commitment letter from US Bank. The tax credit equity provider, will have standard closing conditions as well as mandate specific guaranties related to tax credit delivery, adjustments and recapture. The County of Sonoma's \$1,125,000 RDA loan has closed for the purpose of pre-development costs and land acquisition. The \$875,000 loan will close with the construction loan closing.

Analyst Comments:

Not Applicable

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:

67.6 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$5,910,000 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	25
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	7.1
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	10	10	3
Negative Points	-10	-10	0
Total Points	118	100	67.6

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.