

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 16, 2012
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Crystal Alvarez

Applicant: City of Santa Rosa

Allocation Amount Requested:
Tax-exempt: \$6,400,000

Project Information:
Name: 499 Humboldt Apartments
Project Address: 499 Humboldt Street
Project City, County, Zip Code: Santa Rosa, Sonoma, 95404

Project Sponsor Information:
Name: Humboldt Apartments, L.P. (North Bay Equities 1, LLC and Community Housing Sonoma County)
Principals: Hugh Futrell and David Walter North Bay Equities, LLC; Paula Cook for Community Housing Sonoma County
Property Management Company: Hugh Futrell Corporation

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: PNC Bank
Credit Enhancement Provider: PNC Bank/ Freddie Mac
TEFRA Hearing Date: October 4, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 51, plus 1 manager unit
Type: New Construction
Type of Units: Family

The Humboldt Apartments is a 52-unit affordable rental housing development in Downtown Santa Rosa located on 0.4 acres. The Project is a five story "podium" style apartments building with 2,700 square feet of ground floor community space. The unit mix includes seventeen one-bedroom/one bath units, nineteen two-bedroom/two bath units, fifteen three-bedroom/one bath units and one (two bedroom/one bath) manager's units. The existing 11,000 square feet of the current building will be demolished.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
16% (8 units) restricted to 50% or less of area median income households.
84% (43 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	12,981,398	
Estimated Hard Costs per Unit:	\$	146,211	(\$7,456,756 /51 units)
Estimated per Unit Cost:	\$	254,537	(\$12,981,398 /51 units)
Allocation per Unit:	\$	125,490	(\$6,400,000 /51 units)
Allocation per Restricted Rental Unit:	\$	125,490	(\$6,400,000 /51 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 6,400,000	\$ 5,070,000
Deferred Developer Fee	\$ 612,967	\$ 612,967
LIH Tax Credit Equity	\$ 2,847,031	\$ 4,177,031
Direct & Indirect Public Funds	\$ 3,121,400	\$ 3,121,400
Total Sources	\$ 12,981,398	\$ 12,981,398

Uses of Funds:	
Land Purchase	\$ 1,104,588
On & Off Site Costs	\$ 277,500
Hard Construction Costs	\$ 7,179,256
Architect & Engineering Fees	\$ 306,340
Contractor Overhead & Profit	\$ 500,000
Developer Fee	\$ 1,466,000
Cost of Issuance	\$ 124,000
Capitalized Interest	\$ 158,800
Other Soft Costs (Marketing, etc.)	\$ 1,864,914
Total Uses	\$ 12,981,398

Description of Financial Structure and Bond Issuance:

The tax-exempt bonds will be Credit Enhanced by Freddie Mac's delegated underwriter PNC Bank. The construction loan will be for a term of 24 months with Series A and Series B bonds, the Series B bonds will be paid at conversion. The permanent credit enhancement will be for a term of 18 years and amortized over 35 years. The interest rate for the bonds will be a fixed rate based on the AAA-rated tax-exempt bonds interest currently estimated at 5.56% and includes PNC's estimated of 3.85% for the tax-exempt bond rate, 1.41% for guaranty and servicing fees, 0.25 for issuer fee and 0.05% for trustee fee.

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: 60.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$6,400,000 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	28
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	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	60.5

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.