

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 26, 2012
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: Housing Authority of the City of Sacramento

Allocation Amount Requested:
Tax-exempt: \$8,730,000

Project Information:
Name: Taylor Terrace Apartments
Project Address: 4058 Taylor Street
Project City, County, Zip Code: Sacramento, Sacramento, 95838

Project Sponsor Information:
Name: LINC - Taylor Terrace Apartments, LLC (LINC Housing Corporation)
Principals: Hunter L. Johnson, Suny Lay Chang, Karen N. Maeshima and Nina Dooley
Property Management Company: U.S. Residential Group

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: US Bank National Association
TEFRA Hearing Date: August 14, 2012

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 167, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is an existing property located in the City and County of Sacramento. The property consists of one community building and 15 garden-style walkup residential builds containing 168 units. There are 64 one-bedroom units, 36 two-bedroom units and 68 three-bedroom units (one of which is a manager's unit). The proposed scope of work for the project includes: preserve, repair and protect the buildings and site to extend its useful life; improve electrical efficiency by at least 20% over existing usage and improve water efficiencies; and create ADA changes for easier use of the site and units for people of disabilities. Rehabilitation will commence in early January with completion anticipated within 10 months by November 1, 2013.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

42% (70 units) restricted to 50% or less of area median income households.

58% (97 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2 & 3 bedrooms

The proposed project will include the following service amenities: after school programs; and instructor-led educational, health and wellness or skill building classes.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 16,965,824	
Estimated Hard Costs per Unit:	\$ 20,193	(\$3,372,195 /167 units)
Estimated per Unit Cost:	\$ 101,592	(\$16,965,824 /167 units)
Allocation per Unit:	\$ 52,275	(\$8,730,000 /167 units)
Allocation per Restricted Rental Unit:	\$ 52,275	(\$8,730,000 /167 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 8,730,000	\$ 3,830,000
General Partner Contribution	\$ 136,000	\$ 136,000
Deferred Developer Fee	\$ 0	\$ 111,000
LIH Tax Credit Equity	\$ 2,082,316	\$ 5,472,260
Direct & Indirect Public Funds	\$ 5,633,661	\$ 5,818,461
Refunds and Accrued Interest	\$ 0	\$ 232,256
Construction Period Income	\$ 0	\$ 262,000
AHP	\$ 0	\$ 720,000
Other (Existing Reserves)	\$ 383,847	\$ 383,847
Total Sources	\$ 16,965,824	\$ 16,965,824

Uses of Funds:	
Acquisition/Land Purchase	\$ 8,830,000
On & Off Site Costs	\$ 317,455
Rehabilitation Costs	\$ 2,709,650
Rehab Cost Contingency	\$ 345,090
Architect & Engineering Fees	\$ 10,000
Contractor Overhead & Profit	\$ 423,795
Liability Insurance	\$ 59,010
Developer Fee	\$ 1,650,000
Relocation	\$ 99,574
Cost of Issuance	\$ 94,643
Capitalized Interest	\$ 440,881
Other Soft Costs (Marketing, etc.)	\$ 1,985,726
Total Uses	\$ 16,965,824

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by US Bank National Association. The issuer will be the Housing Authority of the City of Sacramento. The Bank's financing commitment includes bond structure that will cover the both the construction and permanent financing. The bond issue will be structured under two bond series: Series A - Convertible Bond/Note for \$3,850,000 and Series B - Construction bond/Note for \$4,880,000. The construction phase period will be for 24 months. Series A: During the construction and term period, the interest rate is based upon U.S. Bank's Community Investment Pricing for a 15 year term loan with a 30 year amortization "CIP Index" with an added 200 bps spread. Series B: The interest rate will be based on 30-day LIBOR plus 150 basis points reset monthly, on the first business day of each month (converted to tax-exempt rate using US Bank's non-back qualified conversion factor).

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: 77.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$8,730,000 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	5
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.5
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	10	10	5
Negative Points	-10	-10	0
Total Points	130	100	77.5

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.