

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
November 14, 2012
Staff Report
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT**

Prepared by: *Narisha Bonakdar*

Applicant: City of Santa Rosa

Allocation Amount Requested:
Tax-exempt: \$5,600,000

Project Information:
Name: Sonoma Creekside Apartments
Project Address: 2-110 Boas Dr. and 5174-5206 Santa Rosa Creek Dr.
Project City, County, Zip Code: Santa Rosa, Sonoma, 95409

Project Sponsor Information:
Name: Sonoma Creekside II, LP (Sonoma Creekside EAH, LLC and EAH, Inc.)
Principals: T. Deveraux, Jerry Webster (Sonoma Creekside EAH, LLC) Mary Murtaugh, Alvin Bonnett, Laura Hall, Matthew Steinle, Cathy Macy (EAH, Inc.)
Property Management Company: EAH, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: JP Morgan Chase, N.A.
TEFRA Hearing Date: June 26, 2012

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 42, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

Sonoma Creekside Apartments is a proposed acquisition and rehabilitation of an existing 42-unit development located in the City of Santa Rosa. The property consists of 22 two-bedroom units and 20 three-bedroom units on approximately 2.84 acres. All of the units will be income-restricted to households earning between 50 and 60 percent of Area Median Income. Each unit will include standard appliances, central air conditioning, a washer/dryer, and a patio/balcony. The property will include detached garages, a playground, and an onsite manager's office.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
31% (13 units) restricted to 50% or less of area median income households.
69% (29 units) restricted to 60% or less of area median income households.
Unit Mix: 2 & 3 bedrooms

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 10,872,577
Estimated Hard Costs per Unit: \$ 57,129 (\$2,399,398 /42 units)
Estimated per Unit Cost: \$ 258,871 (\$10,872,577 /42 units)
Allocation per Unit: \$ 133,333 (\$5,600,000 /42 units)
Allocation per Restricted Rental Unit: \$ 133,333 (\$5,600,000 /42 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 5,600,000	\$ 3,415,759
Taxable Bond Proceeds	\$ 0	\$ 2,732,434
Developer Equity	\$ 212,617	\$ 212,924
LIH Tax Credit Equity	\$ 500,000	\$ 3,065,010
Direct & Indirect public Funds	\$ 1,171,418	\$ 1,171,418
Other: Income from operations during construction	\$	\$ 275,032
Other: Take-back seller reserves	\$ 2,732,434	\$ 0
Total Sources	\$ 10,216,469	\$ 10,872,577

Uses of Funds:	
Acquisition/Land Purchase	\$ 5,986,360
On & Off Site Costs	\$ 136,709
Rehabilitation Cost	1,495,910
General Conds. & Insurance/Contingency Fees	\$ 766,779
Architect & Engineering Fees	\$ 360,580
Contractor Overhead & Profit	\$ 122,286
Developer Fee	\$ 526,507
Relocation	\$ 378,400
Cost of Issuance	\$ 233,669
Capitalized Interest	\$ 178,571
Other Soft Costs (Marketing, etc.)	\$ 686,806
Total Uses	\$ 10,872,577

Description of Financial Structure and Bond Issuance:

JP Morgan Chase, N.A. will provide a private placement of tax-exempt private activity bonds in the amount of \$5,600,000 that will serve as both the construction and permanent loans. The construction loan term will be 24 months and will carry a variable interest rate equal to one-month LIBOR multiplied by the Bank's tax-exempt factor (currently 70.88%) plus 2.17%. The permanent loan will be at a fixed rate equal to the 10-year interest rate swap multiplied by the Bank's tax-exempt factor plus 3.55%. It will have a 32-year term and 30-year amortization.

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: 68.1 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$5,600,000 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]	5.6
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	0
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	68.1

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.