

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 12, 2012
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Crystal Alvarez

Applicant: Housing Authority of the County of Sacramento

Allocation Amount Requested:
Tax-exempt: \$8,600,000

Project Information:
Name: New Seasons Apartments
Project Address: 3545 41st Avenue
Project City, County, Zip Code: Sacramento, Sacramento, 95824

Project Sponsor Information:
Name: DAVCO Communities, LLC (HCP GP New Seasons, LLC, Foundations for Affordable Housing, V and DAVCO Communities, LLC)
Principals: Thomas Willard for Foundation for Affordable Housing V, Inc.; Thomas L. Davis for DAVCO Communities, LLC; Alan Fair, Dana Mayo and Jeffrey Weiss for HCP GP New Seasons, LLC
Property Management Company: FPI Management, Inc.

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Private Placement Purchaser: Hunt Capital Partners, LLC
TEFRA Hearing Date: September 25, 2012

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 120, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The New Seasons Apartments is the proposed rehabilitation of 120 units, on a 4.15 acre parcel located in South Sacramento. The property is currently an active market rate complex constructed in 1964. Each of the units will feature an appliance package including gas range ovens, vented-hood ranges and new refrigerators with icemakers. The units will be upgraded with new wood cabinets, countertops and vinyl flooring in the kitchen area. The bathrooms will be completely rehabilitated with new tubs, shower enclosures, toilets, cabinets and vanities. All units will have central air and heat. The rehabilitation will include the construction of a community center and leasing office as well as a new on-site manager living unit with 3 bedrooms and 2 bathrooms.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
20% (24 units) restricted to 50% or less of area median income households.
80% (96 units) restricted to 60% or less of area median income households.
Unit Mix: 2 bedrooms

The project sponsor has committed to providing after school programs, instructor-led educational classes and a bona fide service coordinator/social worker for a period of 10 years free of charge to all residents.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 15,816,916
Estimated Hard Costs per Unit: \$ 41,625 (\$4,995,011 /120 units)
Estimated per Unit Cost: \$ 131,808 (\$15,816,916 /120 units)
Allocation per Unit: \$ 71,667 (\$8,600,000 /120 units)
Allocation per Restricted Rental Unit: \$ 71,667 (\$8,600,000 /120 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 8,600,000	\$ 5,400,000
Developer Equity	\$ 1,241,181	\$ 1,129,108
LIH Tax Credit Equity	\$ 1,556,342	\$ 5,187,808
Direct & Indirect Public Funds	\$ 4,100,000	\$ 4,100,000
Other (const. cash flow, etc.)	\$ 319,393	\$ 0
Total Sources	\$ 15,816,916	\$ 15,816,916

Uses of Funds:	
Acquisition/Land Purchase	\$ 5,730,000
On & Off Site Costs	\$ 50,000
Hard Construction Costs	\$ 4,945,011
Architect & Engineering Fees	\$ 44,200
Contractor Overhead & Profit	\$ 419,336
Developer Fee	\$ 1,618,845
Relocation	\$ 245,595
Cost of Issuance	\$ 454,623
Capitalized Interest	\$ 330,894
Other Soft Costs (Marketing, etc.)	\$ 1,978,412
Total Uses	\$ 15,816,916

Description of Financial Structure and Bond Issuance:

The tax-exempt bond allocation will be privately placed with Hunt Capital Partners, LLC. The construction phase financing will be for a term of 24 months and the borrower will pay interest only payments monthly. The interest rate will be set at the time of closing. The rate is based on prime plus 450 basis points. The interest rate will be variable for the entire term of the construction loan. The permanent loan phase will be for an 18-year term with a 30 year amortization. The permanent interest rate is based on a spread of 500 basis point above the 10-year Treasury Bill.

Analyst Comments:

The New Seasons Apartments is also known as Greystone Apartments. The Greystone Apartments received a \$10,000,000 award of allocation on December 3, 2008. Due to the instability of the financial markets in 2009 the project was unable to issue bonds and reverted the allocation with no penalties assessed.

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: 63 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$8,600,000 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	30
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	5
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	10	10	3
Negative Points	-10	-10	0
Total Points	130	100	63

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.