

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: Richard Fischer

Applicant: City of Santa Rosa

Allocation Amount Requested:
Tax-exempt: \$15,000,000

Project Information:
Name: Bethlehem Tower Apartments
Project Address: 801 Tupper Street
Project City, County, Zip Code: Santa Rosa, Sonoma, 95404

Project Sponsor Information:
Name: Bethlehem Tower Affordable, L.P. (Bethlehem Tower AGP, L.P. and Las Palmas Housing Development Corporation)
Principals: Ken J. Reiner, Ginny Lussier, Jordan Freedman, Sean Burrowes and Barb Vurgun for Bethlehem Tower AGP; Joseph M. Michaels, Victor Borone, Leslie A Michaels, Naomi Pines, Lindsay Winter, Jenn Fleming and Karina Ortiz for Las Palmas Housing.
Property Management Company: TerraCorp Financial Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Hearing Date: June 26, 2012

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 158, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens/Federally Assisted At-Risk

Bethlehem Tower is an existing 159-unit multifamily property located in Santa Rosa, California. The project consists of 107 studio units, 51 one-bedroom units and 1 two-bedroom manager unit which are all age restricted for seniors. The project consists of one 14-story tower and a separate community room building.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
21% (33 units) restricted to 50% or less of area median income households.
79% (125 units) restricted to 60% or less of area median income households.
Unit Mix: Studio & 1 bedroom

Service amenities include a health and wellness services and programs for individualized support.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 25,234,980
Estimated Hard Costs per Unit: \$ 29,877 (\$4,720,496 /158 units)
Estimated per Unit Cost: \$ 159,715 (\$25,234,980 /158 units)
Allocation per Unit: \$ 94,937 (\$15,000,000 /158 units)
Allocation per Restricted Rental Unit: \$ 94,937 (\$15,000,000 /158 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 15,000,000	\$ 15,000,000
Deferred Developer Fee	\$ 1,454,538	\$ 1,454,538
LIH Tax Credit Equity	\$ 6,632,887	\$ 7,580,442
Other (Seller's Carry Note)	\$ 1,200,000	\$ 1,200,000
Total Sources	\$ 24,287,425	\$ 25,234,980
Uses of Funds:		
Acquisition/Land Purchase	\$ 15,125,000	
Rehabilitation Costs	\$ 5,268,253	
Relocation	\$ 153,350	
Architectural	\$ 50,000	
Survey & Engineering	\$ 50,000	
Contingency Costs	\$ 539,700	
Construction Period Expenses	\$ 67,319	
Permanent Financing Expenses	\$ 173,500	
Legal Fees	\$ 185,000	
Capitalized Reserves	\$ 434,286	
Reports & Studies	\$ 23,000	
Other	\$ 665,572	
Developer Costs	\$ 2,500,000	
Total Uses	\$ 25,234,980	

Description of Financial Structure and Bond Issuance:

Citi Community Capital will provide a private placement of tax-exempt private activity bonds in the amount of \$15,000,000 that will serve as the construction loan. The construction loan term will be 24 months and will carry a variable interest rate based on SIFMA plus a 275 basis points. The permanent loan will be at a fixed rate equal to the 17-year MMD plus 225 basis points. The permanent loan will have a 30-year term and 35-year amortization.

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 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$15,000,000 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	10
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	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	5
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	110	60

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.