

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**March 13, 2013**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Sarah Lester*

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**Applicant:** Housing Authority of the City of Santa Barbara

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**Allocation Amount Requested:**  
**Tax-exempt:** \$7,430,000

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**Project Information:**  
**Name:** Villa Santa Fe Apartments II  
**Project Address:** 521 N. La Cumbre Road  
**Project City, County, Zip Code:** Santa Barbara, Santa Barbara, 93110

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**Project Sponsor Information:**  
**Name:** Villa Santa Fe Apartments, LP (Villa Santa Fe MGP, LLC and 2nd Story SB Development I, LLC)  
**Principals:** Detlev Peikert, Robert G. Pearson and Michael McGuire for Villa Santa Fe MGP, LLC; Rob Fredericks, Alexander Szymanski and Margaret Trejo for 2nd Story SB Development I,  
**Property Management Company:** Housing Authority of the City of Santa Barbara

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**Project Financing Information:**  
**Bond Counsel:** Quint & Thimmig LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Citibank, N.A. (constr.) / GNMA HUD FHA 223(f) (Bellwether Enterprise Real Estate Capital, LLC) (perm)  
**TEFRA Hearing Date:** June 12, 2012

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 59, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Senior Citizens

The proposed project is an existing senior rental community located in the City of Santa Barbara. The property is currently known as Villa La Cumbre and was originally development in 1987 as one of the projects awarded low-income housing credits in the initial year of the 9% tax credit program. The Housing Authority of the City of Santa Barbara (HASB) purchased the project from the original developers in April 2000. The property is situated on 4 acres and consists of 60 one-bedroom units 558 square feet each in size. Of the 60 current residents, 53 have income levels below 60% of the area median income; six (6) units with tenants exceeding 60% AMI and one (1) manager unit. Property amenities include laundry facilities, carports with storage, on-site resident manager, community garden and a recreation room. The scope of the rehabilitation work includes installation of tankless water heaters, new appliances, cabinetry, flooring, lighting fixtures, and painting interiors and exteriors. Rehabilitation construction is expected to occur over the following 12 months.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 90%  
20% (12 units) restricted to 50% or less of area median income households.  
69% (41 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 1 bedroom

There will be no service amenities provided for the proposed project.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$	13,657,303	
<b>Estimated Hard Costs per Unit:</b>	\$	18,644	(\$1,100,000 /59 units)
<b>Estimated per Unit Cost:</b>	\$	231,480	(\$13,657,303 /59 units)
<b>Allocation per Unit:</b>	\$	125,932	(\$7,430,000 /59 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	140,189	(\$7,430,000 /53 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 7,430,000	\$ 0
Taxable Bond Proceeds	\$ 0	\$ 4,930,000
Developer Equity	\$ 0	\$ 49,216
LIH Tax Credit Equity	\$ 478,343	\$ 3,188,952
Direct & Indirect Public Funds	\$ 5,419,884	\$ 5,160,059
Other (NOI During Constr.)	\$ 329,076	\$ 329,076
<b>Total Sources</b>	<b>\$ 13,657,303</b>	<b>\$ 13,657,303</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 10,600,000
Hard Construction Costs	\$ 1,100,000
Architect & Engineering Fees	\$ 13,480
Contractor Overhead & Profit	\$ 110,000
Developer Fee	\$ 691,864
Relocation	\$ 25,030
Cost of Issuance	\$ 174,559
Capitalized Interest	\$ 533,425
Other Soft Costs (Marketing, etc.)	\$ 408,945
<b>Total Uses</b>	<b>\$ 13,657,303</b>

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**Description of Financial Structure and Bond Issuance:**

The proposed financial structure of the proposed project will be a private placement transaction provided by Citibank, N.A. ("Bank"); and the bonds will be issued by the Housing Authority of the City of Santa Barbara ("Issuer"). The Bank will arrange a tax-exempt loan to the Issuer. The tax-exempt loan and related interest reserve will be collateralized by a cash account. The proceeds of the loan shall fund a tax exempt loan by the Issuer to the Villa Santa Fe Apartments, LP ("Borrower") for the project. The loan provided by the Bank will be a construction loan. There will be no permanent tax-exempt debt on the project. The construction term will be for 18 months and will bear interest at a fixed rate calculated by adding a 0.55% spread to the 1 year MMC index, which is currently 0.20%, resulting in a rate of 0.75% based on current rates. Pricing will be based on current market conditions and the Bank agrees to hold the spread through the closing date (30 days after receiving a commitment from HUD to provide mortgage insurance under the 223(f) program for the permanent loan). This date is anticipated to be on or before April 12, 2013, and will be financed in a single issuance in conjunction with the Villa Santa Fe Apartments I project. The tax-exempt bonds will be outstanding for 18 months. The project rehabilitation will be substantially completed before the end of the term of the tax-exempt bonds. At the end of the 18 months, the funds in the cash account will be used to pay off the bonds, leaving an FHA 223(f) loan for the remainder of the loan term (33.5 Years).

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**Analyst Comments:**

The Housing Authority of the City of Santa Barbara (HASB) has received approval to pay-off the existing HUD 223 (d)(3) loan. As a result of the historical limits on rents from a HUD Rental Supplemental Contract, the property has not had sufficient financial resources to complete capital improvements necessary to update interiors or extend the useful life of the property. HASB intends to sell the property to a single-purpose entity as part of a financial recapitalization, but will continue to operate the project under a master lease agreement with the new ownership entity. The recapitalization will include tax-exempt bonds, 4% low-income housing tax credits, a 35-year HUD/FHA 223(f) permanent loan, and a residual receipts loan from HASB.

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**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.

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**Total Points:** 63 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$7,430,000 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]	10
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	10
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>63</b>

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.