

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 18, 2013
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Leslie J. Campaz

Applicant: Housing Authority of Sacramento County

Allocation Amount Requested:
Tax-exempt: \$16,000,000

Project Information:
Name: South Sacramento Mutual Housing (Greenway, Los Robles, Glen Ellen)
Project Address: 5500 Sky Parkway, 6311 Sampson Blvd, 2380 Glen Ellen Circle
Project City, County, Zip Code: Sacramento, Sacramento, 95823, 95824

Project Sponsor Information:
Name: Mutual Housing California
Principals: Rachel Iskow
Property Management Company: Jon Berkley Management Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Bank of America, N.A.
TEFRA Hearing Date: June 4, 2013

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 166, plus 3 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed acquisition and rehabilitation scattered site project are existing properties located in the City of Sacramento. All are within 2.5 miles of each other and approximately 5 miles south of downtown Sacramento. The properties total 169 units, including 1 manager's unit per property. Of the 169 units, 166 will be restricted to households with incomes no greater than 60% area median income. Greenway Village consists of 54 units in 16 two-story buildings on a 4.25 acre site. The unit mix is comprised of 12 one-bedroom, 21 two-bedroom, 12 three-bedroom, and 8 five-bedroom "flats". Greenway's target population is families. The work scope includes complete replacement of the building siding, roofing, windows, unit interior elements (flooring, paint, cabinets, countertops, plumbing fixture, appliances, lighting, and HVAC). Glen Ellen Estates consists of 35 two-bedroom "flats" in 9 two-story buildings on a 1.12 acre site. Glen Ellen's target population is families. The rehabilitation scope includes unit interior replacement, pavement repair, site drainage improvements, and landscape enhancement. Los Robles consists of 80 units in 19 two-story building on a 5.5 acre site. The unit mix is comprised of 16 one-bedroom, 24 two-bedroom, 28 three-bedroom, and 12 five-bedroom units in both "flat" and "townhouse" plans. The target population at Los Robles is families. The rehabilitation scope includes unit interior replacement, replacement of all windows and vinyl siding, as well as site drainage and landscape improvements.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
31% (51 units) restricted to 50% or less of area median income households.
69% (115 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2, 3, 4 & 5 bedrooms

A bona fide coordinator will be included as a service amenity for a minimum of 10 years.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 27,232,033	
Estimated Hard Costs per Unit:	\$ 68,079	(\$11,301,140 /166 units)
Estimated per Unit Cost:	\$ 164,048	(\$27,232,033 /166 units)
Allocation per Unit:	\$ 96,385	(\$16,000,000 /166 units)
Allocation per Restricted Rental Unit:	\$ 96,385	(\$16,000,000 /166 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 16,000,000	\$ 1,278,000
Developer Equity	\$ 0	\$ 87,008
Deferred Developer Fee	\$ 0	\$ 1,364,411
LIH Tax Credit Equity	\$ 250,000	\$ 10,137,283
Direct & Indirect Public Funds	\$ 4,814,125	\$ 10,204,620
Other (Seller Carryback Loan)	\$ 4,160,711	\$ 4,160,711
Total Sources	\$ 25,224,836	\$ 27,232,033

Uses of Funds:	
Acquisition/Land Purchase	\$ 9,617,133
Total Hard Construction Costs	\$ 11,301,140
Architect and Engineering Fees	\$ 441,427
Contractor Overhead & Profit	\$ 808,000
Developer Fee	\$ 2,500,000
Relocation	\$ 222,000
Cost of Issuance	\$ 332,096
Capitalized Reserves	\$ 441,321
Other Soft Costs (Marketing, ect)	\$ 1,568,916
Total Uses	\$ 27,232,033

Description of Financial Structure and Bond

This is a private placement bond transaction with the bonds being purchased by Bank of America, N.A. ("the Bank"). The interest rate prior to the conversion date will be calculated on the basis of a 360-day ye4ar and actual days elapsed, which results in more interest than if a 365-day year were used. The Facility will bear interest at a fluctuating rate of interest equal to the BBA LIBOR Daily Floating Rate plus 2.25% per annum (the "Note Rate"). The interest rate after the conversion date will be calculated on a 30/360 day basis, which results in more interest than if a 365-day year were used. The Bonds will be a non-amortization obligation with interest only payable monthly until the date that is 24 months after the Closing Date in order to allow for construction and lease-up. After the Conversion Date, the Bonds will be an amortizing obligation with principal and interest payable monthly for a period of 17 years. The Bank's obligation ends after year 17 of the Fixed Rate Period.

Analyst

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: 63.57 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$16,000,000 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	3.97
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	4.6
Service Amenities	10	10	5
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	63.57

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.