

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 21, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$8,855,000

Project Information:
Name: Oak Creek Terrace Apartments
Project Address: 2662 First Street
Project City, County, Zip Code: Napa, Napa, 84558

Project Sponsor Information:
Name: Oak Creek Terrace, LP (Napa Valley Community Housing (NVCH)
Principals: Kathleen Dressen and Robin Sisemore
Property Management Company: Napa Valley Community Housing

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Silicon Valley Bank
TEFRA Adoption Date: April 1, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 40, plus 1 manager unit
Type: New Construction
Type of Units: Family

The proposed project is a new construction multi-family development located in the City and County of Napa. The Project will be located on a lot that is currently a vacant flat-lot parcel that totals 1.78 acres. It will be comprised of 41 townhomes (including one (1) manager's unit), of which there are seven (7) 1-bedroom units, twenty (20) 2-bedroom units and fourteen (14) 3-bedroom units. Along with the apartment homes, there will be a resident community room, on-site manager's office and laundry facilities, landscaping, play area, parking, bicycle storage, and a natural habitat riparian creek preservation area. Thirty-one (31) of the units will be restricted to households with incomes earning no more than 50% of the Area Median Income (AMI) and nine (9) of the units will be restricted to households with incomes earning no greater than 60% of the AMI. Construction is expected to commence November 2014 and be completed by January 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
78% (31 units) restricted to 50% or less of area median income households.
23% (9 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

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

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 16,843,150
Estimated Hard Costs per Unit: \$ 253,077 (\$10,123,093 /40 units)
Estimated per Unit Cost: \$ 421,079 (\$16,843,150 /40 units)
Allocation per Unit: \$ 221,375 (\$8,855,000 /40 units)
Allocation per Restricted Rental Unit: \$ 221,375 (\$8,855,000 /40 restricted units)

The Project has total project costs that appear high for the geographic area in which it is located. According to the Project sponsor, the high cost is due to 1) State and Davis-Bacon wages have to be paid due to HOME and HCD Infill financing; 2) Costs of complexities of being and infill site (storm drainage, offsite costs, a riparian corridor that requires special study, design and plantings); 3) Energy Efficiency that exceeds the minimum sustainability standards; 4) Use of high quality materials throughout the project; and 5) Holding costs due to delays caused by missing 9% tax credit awards for two rounds and applying for HCD Infill funds.

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 8,855,000	\$ 660,000
Developer Equity	\$ 156,232	\$ 156,232
Deferred Developer Fee	\$ 219,268	\$ 219,268
LIH Tax Credit Equity	\$ 946,701	\$ 6,307,426
Direct & Indirect Public Funds	\$ 6,096,274	\$ 9,500,224
Other (Costs Deferred Until Conversion)	\$ 569,675	\$ 0
Total Sources	\$ 16,843,150	\$ 16,843,150

Uses of Funds:	
Acquisition/Land Purchase	\$ 699,000
On & Off Site Costs	\$ 1,564,362
Hard Construction Costs	\$ 8,558,731
Architect & Engineering Fees	\$ 617,800
Contractor Overhead & Profit	\$ 859,225
Developer Fee	\$ 1,092,019
Cost of Issuance	\$ 294,491
Capitalized Interest	\$ 434,218
Other Soft Costs (Marketing, etc.)	\$ 2,723,304
Total Uses	\$ 16,843,150

Description of Financial Structure and Bond Issuance:

The financial structure of the proposed project will be a private placement transaction provided by Silicon Valley Bank (the "Bank") for both construction and permanent financing. The Bank will directly purchase a total of \$8,855,000 in tax-exempt financing (Series A Bond). The construction period will be for a period of 24 months with one 3-month extension following the date of recordation of the Deed of Trust but, no later than December 31, 2016. The interest rate during this period will be a fixed rate of 2.25%. During the permanent financing phase, the loan will be in the amount of \$660,000 (Series B Bond) and will also have a fixed tax-exempt interest rate, which is forward locked at the construction loan closing date and determined by using the 10-year Treasury Index plus a spread of 3.50%. The loan and will mature twenty (20) years following the conversion date. The bonds will be issued by the California Municipal Finance Authority.

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:

75 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$8,855,000 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]	10
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	0
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	75

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.