

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: Richard Fischer

Applicant: Housing Authority of the County of Sacramento

Allocation Amount Requested:
Tax-exempt: \$7,300,000

Project Information:
Name: Arbor Creek Senior Apartments
Project Address: 8350 Elk Grove Florin Road
Project City, County, Zip Code: Sacramento, Sacramento, 95829

Project Sponsor Information:
Name: Arbor Creek Senior Apartments, L.P. (USA Arbor Creek Senior, Inc. and Riverside Charitable Corporation)
Principals: Geoffrey C. Brown, Michael J. McCleery, Karen C. McCurdy, Darren Bobrowsky, Edward R. Herzog, Valerie Silva for USA Arbor Creek Senior, Inc. and Ken Robertson, Craig Gillett, Penny La Rue, Stewart Hall, Trisha Hockings, Gregg Rogers for Riverside Charitable Corporation.
Property Management Company: USA Multifamily Management, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: US Bank N.A.
TEFRA Adoption Date: February 25, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 59, plus 1 manager unit
Type: New Construction
Type of Units: Senior Citizens

Arbor Creek Seniors is on a 2.25-acre parcel and will consist of 60 one-bedroom and two-bedroom units efficiently designed to meet the needs and comfort of the senior community age 55 and older. All of the units, community center, and common areas are located within one rectangular shaped building. The building ranges in height from two- to three-stories with all units being accessible at ground level, or by elevator service. Trash chutes and laundry facilities are centrally located within the building. Parking and outdoor courtyard recreation areas are located within the perimeter fencing providing a secure environment for the residents. Construction is anticipated to begin in July 2014 and end on July 2015.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (59 units) restricted to 50% or less of area median income households.
 _____ (0 units) restricted to 60% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

The Project will include instructor-led educational, helath and wellness or skill building classes for a minimum of 84 Hours per year and Health and wellness services and programs for a minimum of 100 hours per year.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 13,860,122	
Estimated Hard Costs per Unit:	\$ 130,971	(\$7,727,282 /59 units)
Estimated per Unit Cost:	\$ 234,917	(\$13,860,122 /59 units)
Allocation per Unit:	\$ 123,729	(\$7,300,000 /59 units)
Allocation per Restricted Rental Unit:	\$ 123,729	(\$7,300,000 /59 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 7,300,000	\$ 325,000
Developer Equity	\$ 0	\$ 976,941
LIH Tax Credit Equity	\$ 235,503	\$ 4,744,944
Direct & Indirect Public Funds	\$ 5,301,382	\$ 6,790,000
Other (County Fees Waivers)	\$ 1,023,237	\$ 1,023,237
Total Sources	\$ 13,860,122	\$ 13,860,122

Uses of Funds:	
Acquisition/Land Purchase	\$ 975,680
On & Off Site Costs	\$ 1,059,493
Hard Construction Costs	\$ 6,667,789
Architect & Engineering Fees	\$ 531,340
Contractor Overhead & Profit	\$ 627,123
Developer Fee	\$ 1,483,691
Cost of Issuance	\$ 319,144
Capitalized Interest	\$ 263,352
Other Soft Costs (Marketing, etc.)	\$ 1,932,510
Total Uses	\$ 13,860,122

Description of Financial Structure and Bond Issuance:

US Bank Commercial Real Estate ("US Bank") has committed to fund the amount awarded by California Debt Limit Allocation Committee (\$7,300,000) to the Issuer, the Housing Authority of County of Sacramento, to directly purchase the tax-exempt bonds allocated to Arbor Creek Senior Apartments for construction and term financing. US Bank becomes the "Holder" of the Bonds by virtue of the purchase. In exchange, US Bank extends to Arbor Creek Senior Apartments, L.P., "Borrower/Developer" a non-bank qualified tax-exempt rate of interest. The construction period is 18 months with a six month extension available if needed and a permanent term of 15 years. The anticipated bond closing is scheduled for June 24, 2014. The mortgage loan terms are as follows: loan amount of \$7,300,000 during the construction period and \$325,000 during the 15 year permanent loan term with a 30 year amortization schedule. The underwriting interest rate is estimated to be 6.5%.

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: 97.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$7,300,000 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	0
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.5
Service Amenities	10	10	10
New Construction	10	10	10
Sustainable Building Methods	10	10	10
Negative Points	-10	-10	0
Total Points	130	100	97.5

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.