Agenda Item No. 7.18
Application No. 14-058

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 Housing Finance Agency

Allocation Amount Requested:

Tax-exempt: $4,450,000

The amount of allocation requested is supplemental to the $9,200,000 of allocation the Project received on March 19, 2014.

Project Information:

Name: **Sullivan Manor Apartments (Supplemental)**
Project Address: 2516 W. 1st Street
Project City, County, Zip Code: Santa Ana, Orange, 92703

Project Sponsor Information:

Name: Sullivan Manor Partners, LP (Sullivan Manor Management, LLC; and Sullivan Manor Housing Partners MGP, LLC)
Principals: Stephen R. Whyte for Sullivan Manor Management, LLC; and Jon Webb for Sullivan Manor Housing Partners MGP, LLC
Property Management Company: U.S. Residential Group, Inc. (USRG)

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Citigroup
Credit Enhancement Provider: Citibank, N.A.
Private Placement Purchaser: Not Applicable
TEFRA Adopted Date: January 30, 2014

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 53, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family/Federally Assisted At-Risk

The proposed Project is an existing complex located in the City of Santa Ana, County of Orange. The property was originally built in 1983 on 2.7 acres of flat land. The Project consists of 54 rental units within eight (8) two-story buildings. Of the 54 units, 53 will be restricted to households with incomes no greater than 60% of the area median income (AMI). Six of the units will be at 50% AMI, 47 will be at 60% AMI and one will be held as a manager unit. According to the application, the Project will undergo an extensive rehabilitation to address deferred maintenance, improve the physical nature of the property, and address long-term capital needs. The unit configuration will be 2-, 3- and 4-bedroom units (32 2-bedroom, 18 3-bedroom and four (4) 4-bedroom units). The application states that upon acquisition of the Project, rehabilitation will be performed and the anticipated date of completion will be in December of 2014

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

11% (6 units) restricted to 50% or less of area median income households.

89% (47 units) restricted to 60% or less of area median income households.

Unit Mix: 2, 3 & 4 bedrooms

No service amenities will be provided for the project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	$	17,245,379	
Estimated Hard Costs per Unit:	$	27,804	($1,473,603 /53 units)
Estimated per Unit Cost:	$	325,385	($17,245,379 /53 units)
Allocation per Unit:	$	257,547	($13,650,000 /53 units)
Allocation per Restricted Rental Unit:	$	257,547	($13,650,000 /53 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	$ 13,650,000	$ 11,000,000
Developer Equity	$ 1,295,379	$ 1,145,379
LIH Tax Credit Equity	$ 2,300,000	$ 5,100,000
Total Sources	$ 17,245,379	$ 17,245,379

Uses of Funds:	
Acquisition/Land Purchase	$ 12,000,000
On-site & Off-site Costs	$
Hard Construction Costs	$ 1,473,603
Architect & Engineering Fees	$ 81,680
Contractor Overhead & Profit	$ 117,888
Developer Fee	$ 2,100,000
Relocation	$ 20,000
Cost of Issuance	$ 313,600
Capitalized Interest	$ 21,530
Other Soft Costs (Marketing, etc.)	$ 1,117,078
Total Uses	$ 17,245,379

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by Citibank, N.A. (the "Bank"). The Bank will purchase the tax-exempt bonds in the amount of $13,650,000 through its Private Placement Debt Program. The construction period will have a term of 24 months and an interest rate that is set to the One (1) Month LIBOR plus 2.50%. The permanent period debt will equal approximately $11,000,000 with a term of 30 years with an amortized period of 35 years. The interest during this period will be a rate of 5.47% (as of the time of application). Upon conversion from the construction to the permanent phase of the mortgage, approximately $2,650,000 in tax-exempt bonds will be retired. The bonds will be issued by the California Housing Finance Agency.

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.

Recommendation:

Staff recommends that the Committee approve $4,450,000 in tax exempt bond allocation.