

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: City of Santa Rosa

Allocation Amount Requested:
Tax-exempt: \$11,000,000

Project Information:
Name: Tierra Springs Apartments (Scattered Site)
Project Address: 786 Kawana Springs Road and 1665 Aston Avenue
Project City, County, Zip Code: Santa Rosa, Sonoma, 95404

Project Sponsor Information:
Name: Tierra Springs Apartments, L.P. (USA Tierra Springs, 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: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A
TEFRA Adoption Date: March 11, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 64, plus 2 manager units
Type: New Construction
Type of Units: Family

Site 1, is addressed as 786 Kawana Springs Road. It is a 2.04 acre flag shaped parcel located on the Southwest Corner of Kawana Springs Road at Petaluma Hill Road and is identified as Assessor Parcel Number 044-041-087. This site has been recently re-addressed by the City of Santa Rosa. The former address of the site was 766 Kawana Springs Road. The terrain of Site 1 is relatively flat. Site 1 will consist of five residential buildings with a total 42 one-, two-, and three-bedroom units plus a community center. Site 2 is located in the Ragle Ranch subdivision. It is currently addressed as 1665 Aston Ave. as the primary address and 1655 Aston Ave. as a secondary address (each building to have a separate street number). It is a 1.58 acre irregularly shaped parcel near the northeast corner of the intersection of Aston Ave/Allan Way/Cooper Drive and is identified as APN 038-300-066. The terrain of this Site 2 is sloped from east to west with terraced level building pads and parking areas. This project site will be constructed with 24 one- and two-bedroom units in two buildings. Anticipated start date is June 30, 2014 and end July 2015.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

23% (15 units) restricted to 50% or less of area median income households.

77% (49 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2 & 3 bedrooms

There will be no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 19,620,337	
Estimated Hard Costs per Unit:	\$ 128,330	(\$8,213,112 /64 units)
Estimated per Unit Cost:	\$ 306,568	(\$19,620,337 /64 units)
Allocation per Unit:	\$ 171,875	(\$11,000,000 /64 units)
Allocation per Restricted Rental Unit:	\$ 171,875	(\$11,000,000 /64 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 11,000,000	\$ 4,400,000
Developer Equity	\$ 0	\$ 499,201
Deferred Developer Fee	\$ 0	\$ 700,000
LIH Tax Credit Equity	\$ 3,462,305	\$ 7,213,104
Direct & Indirect Public Funds	\$ 3,707,386	\$ 5,357,386
Other (County Fees Waivers)	\$ 1,450,646	\$ 1,450,646
Total Sources	\$ 19,620,337	\$ 19,620,337

Uses of Funds:	
Acquisition/Land Purchase	\$ 1,980,000
On & Off Site Costs	\$ 2,674,770
Hard Construction Costs	\$ 5,538,342
Architect & Engineering Fees	\$ 953,792
Contractor Overhead & Profit	\$ 697,843
Developer Fee	\$ 2,197,895
Cost of Issuance	\$ 499,883
Capitalized Interest	\$ 483,450
Other Soft Costs (Marketing, etc.)	\$ 4,594,362
Total Uses	\$ 19,620,337

Description of Financial Structure and Bond Issuance:

Citibank, N.A. ("Citibank") has committed to fund the amount awarded by California Debt Limit Allocation Committee (\$11,000,000) to the Issuer, the City of Santa Rosa, ("City") to directly purchase the tax-exempt bonds allocated to Tierra Springs Apartments for construction and permanent term financing. Citibank becomes the "Holder" of the Bonds by virtue of the purchase. In exchange, Citibank extends to Tierra Springs 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 17 years. The anticipated bond closing is scheduled for June 24, 2014. The mortgage loan terms are as follows: loan amount of \$11,000,000 during the construction period and \$4,400,000 during the 17 year permanent loan term with a 30 year amortization schedule. The underwriting interest rate is estimated to be 6.075%.

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: 73.95 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$11,000,000 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	32
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	3.2
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	3.75
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	73.95

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.