

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 17, 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: \$509,000

The amount of allocation requested is supplemental to the \$8,855,000 of allocation the Project received on May 21, 2014.

Project Information:

Name: Oak Creek Terrace Apartments (sup)
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: \$ 17,504,832
Estimated Hard Costs per Unit: \$ 264,898 (\$10,595,912 /40 units)
Estimated per Unit Cost: \$ 437,621 (\$17,504,832 /40 units)
Allocation per Unit: \$ 234,100 (\$9,364,000 /40 units)
Allocation per Restricted Rental Unit: \$ 234,100 (\$9,364,000 /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	\$ 9,364,000	\$ 692,000
Developer Equity	\$ 98,673	\$ 98,673
Deferred Developer Fee	\$ 276,826	\$ 276,826
LIH Tax Credit Equity	\$ 1,007,622	\$ 6,710,632
Direct & Indirect Public Funds	\$ 6,322,414	\$ 9,726,701
Other (Costs Deferred Until Conversion)	\$ 435,297	\$ 0
Total Sources	\$ 17,504,832	\$ 17,504,832

Uses of Funds:	
Acquisition/Land Purchase	\$ 699,000
On & Off Site Costs	\$ 1,397,510
Hard Construction Costs	\$ 9,198,402
Architect & Engineering Fees	\$ 694,909
Developer Fee	\$ 1,092,019
Cost of Issuance	\$ 205,897
Capitalized Interest	\$ 241,734
Other Soft Costs (Marketing, etc.)	\$ 3,975,361
Total Uses	\$ 17,504,832

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 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.

Recommendation:

Staff recommends that the Committee approve \$509,000 in tax exempt bond allocation.