

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: Devon King

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$7,703,071

Project Information:
Name: Stonebridge Apartments
Project Address: 990 College Ave
Project City, County, Zip Code: St. Helena, Napa, 94574

Project Sponsor Information:
Name: Stonebridge Housing II LP(Stonebridge Housing Corporation and EAH Inc).
Principals: Leo Ainsworth, Mike Farrel, and Terry Faherty for Stonebridge Housing Corporation; and Mary Murtagh, Alvin Bonnett, Laura Hall, Matthew Steinle, and Cathy Macy for EAH Incorporated.
Property Management Company: EAH Inc.

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: June 10, 2014

Description of Proposed Project:
State Ceiling Pool: Rural
Total Number of Units: 78, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is located in the city of St. Helena, County of Napa. The property was originally built in the early 1990's by EAH under the Low Income Housing Tax Credit Program. The project consists of 80 rental units within ten two- story buildings. Of the 80 units, 78 will be restricted to households with income no greater than 60% of the area median income(AMI). 33 of the units will be at 50% AMI, 45 will be at 60% AMI and 2 will be for management and on- site staff, respectively. According to the application, the Project will undergo rehabilitation to improve the residents' living environment, preserve affordability, and extend the useful life of the property. Rehabilitation will include: patio and balcony repairs, site accessibility improvements, HVAC and other interior upgrades. The unit configuration will be 1,2-,3-,4 bedroom units (8 one-bedroom, 36 two-bedroom, 28 three-bedroom, 8 four-bedroom.) The application states Project rehabilitation is expected to begin in December 2014 and will be completed in September/ October 2015.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
42% (33 units) restricted to 50% or less of area median income households.
58% (45 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2, 3 & 4 bedrooms

Service amenities include a full time service coordinator and several afterschool programs.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	15,794,858	
Estimated Hard Costs per Unit:	\$	38,442	(\$2,998,465 /78 units)
Estimated per Unit Cost:	\$	202,498	(\$15,794,858 /78 units)
Allocation per Unit:	\$	98,757	(\$7,703,071 /78 units)
Allocation per Restricted Rental Unit:	\$	98,757	(\$7,703,071 /78 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 7,703,071	\$ 1,891,000
Deferred Developer Fee	\$ 661,415	\$ 661,415
LIH Tax Credit Equity	\$ 418,524	\$ 5,231,553
Direct & Indirect Public Funds	\$ 5,044,201	\$ 5,044,201
Other(Seller Carry-back loan)	\$ 1,025,745	\$ 1,025,745
Other(General Partner Equity)	\$ 523	\$ 523
Other(Seller Cash Loan)	\$ 0	\$ 1,940,421
Total Sources	\$ 14,853,479	\$ 15,794,858

Uses of Funds:	
Acquisition/Land Purchase	\$ 8,022,086
On & Off Site Costs	\$ 169,607
Hard Construction Costs	\$ 2,828,858
Architect & Engineering Fees	\$ 351,462
Contractor Overhead & Profit	\$ 362,057
Developer Fee	\$ 1,919,190
Relocation	\$ 649,021
Cost of Issuance	\$ 278,978
Capitalized Interest	\$ 104,872
Other Soft Costs (Marketing, etc.)	\$ 1,108,727
Total Uses	\$ 15,794,858

Description of Financial Structure and Bond Issuance:

The financing structure for the project will be a private placement transaction by Silicon Valley Bank ("SVB"). The construction loan will be for 18 months with a 3 month loan extension with a fixed interest rate of 2%. The construction loan is currently being underwritten at 2.00%. The permanent construction loan will be for 20 years after the conversion date with a fixed interest rate of 5% or 15 year Municipal Bond Index plus a spread of 175 basis points whichever is higher. In addition the project is supported by a seller cash loan, and low income tax credits.

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: 90 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$7,703,071 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	10
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	10	10	5
Negative Points	-10	-10	0
Total Points	130	100	90

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.