

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 18, 2015
Staff Report
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT**

Prepared by: Sarah Lester

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$11,050,000

Project Information:
Name: Stoneman Village Apartments
Project Address: 390 E. Leland Road
Project City, County, Zip Code: Pittsburg, Contra Costa, 94565

Project Sponsor Information:
Name: Stoneman Village, LP (Leland Road, LLC)
Principals: Jane Baumbach and Joseph Milani for Leland Road, LLC
Property Management Company: Pittsburg Senior & Handicapped Residential Community, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Red Capital Markets
Credit Enhancement Provider: Red Capital Markets / FHA Section 223(f)
Private Placement Purchaser: Not Applicable
TEFRA Adopted Date: May 19, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 145, plus 0 manager units
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

The proposed project is an existing multifamily residential property located in the City of Pittsburg, County of Contra Costa. It was originally constructed in 1981 under the HUD Section 202 loan program and is comprised of 145 units that are all subsidized under a HUD Section 8 HAP contract. Of the 145 units, 143 will be restricted to senior households with incomes no greater than 60% of the Area Median Income (AMI) as part of the refinancing process, with 68% targeted to households who have incomes at 50% of the AMI, this results in an increase in affordability for the project, as now units are set aside for seniors at or below 80% of the AMI. The remaining two units will be market rate units. The property consists of one 4-story building and is currently owned by Pittsburg Senior and Handicapped Residential Community, Inc. (a non-profit organization). Renovations will include improvement of accessibility (parking spaces, signage for entrances, installation of voice activated security system, and unit upgrades), energy savings (boiler system), and functionality. Specific upgrades will target improving health and life systems (installation of an ANSUL system, improved exiting, and improved smoke and CO2 detectors). Major system replacement includes the replacement of exterior windows in all units. Tenants will remain in place with no anticipated displacement. Construction is expected to start June 2015 and completed in 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 98.62%
39% (56 units) restricted to 50% or less of area median income households.
60% (87 units) restricted to 60% or less of area median income households.
Unit Mix: Studio

The proposed property will include the following service amenities: 1) Health and wellness services and programs for a minimum of 100 hours per year; and 2) a bona fide service coordinator/social worker.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 19,878,862
Estimated Hard Costs per Unit: \$ 35,996 (\$5,219,434 /145 units)
Estimated per Unit Cost: \$ 137,096 (\$19,878,862 /145 units)
Allocation per Unit: \$ 76,207 (\$11,050,000 /145 units)
Allocation per Restricted Rental Unit: \$ 77,273 (\$11,050,000 / restricted units)

| Sources of Funds: | Construction | Permanent |
|-------------------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 11,050,000 | \$ 0 |
| Taxable Bond Proceeds | \$ 0 | \$ 8,290,264 |
| Developer Equity/Project Reserves | \$ 100 | \$ 1,683,934 |
| LIH Tax Credit Equity | \$ 1,401,250 | \$ 4,750,000 |
| Other(Seller Note & Deferred Costs) | \$ 7,427,512 | \$ 5,154,664 |
| Total Sources | \$ 19,878,862 | \$ 19,878,862 |

| Uses of Funds: | |
|------------------------------------|----------------------|
| Acquisition/Land Purchase | \$ 9,539,834 |
| Hard Construction Costs | \$ 5,219,434 |
| Architect & Engineering Fees | \$ 379,208 |
| Contractor Overhead & Profit | \$ 358,477 |
| Developer Fee | \$ 1,725,000 |
| Relocation | \$ 77,500 |
| Cost of Issuance | \$ 234,000 |
| Capitalized Interest | \$ 261,000 |
| Other Soft Costs (Marketing, etc.) | \$ 2,084,409 |
| Total Uses | \$ 19,878,862 |

Description of Financial Structure and Bond Issuance:

The proposed project will be a credit enhancement transaction (public offering) provided by Red Capital Markets, LLC in the amount of \$11,050,000 for a 24-month maturity to be issued and sold to the public at close. The interest rate is estimated to be 1.00%. A loan in an approximate amount of \$8,290,264 will simultaneously be made to the Project under the FHA Section 223(f) mortgage insurance program (the FHA Loan") and the borrower will be selling approximately \$7.7 million of tax credits to a syndicator. Upon closing the FHA Loan, Red Capital will deliver FHA Loan and project reserve funds to the bond trustee to serve as collateral for the bonds. The trustee will deposit the proceeds (estimated at \$11.01 million) in a collateral account, and will release a like amount of bond proceeds to fund project acquisition and rehabilitation costs. In addition to completion, additional proceeds from tax credit equity will serve as collateral for the bonds and the final release of \$3,790,000 of bond proceeds will be released for acquisition. The collateral account will be invested in US Treasury securities, such that the bonds will qualify for a rating of "AA+ / A-1+" by Standard & Poor's. The bonds will be issued by the California Statewide Communities Development 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.

Total Points: 67.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$11,050,000 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 | 0 |
| Community Revitalization Area | 15 | 15 | 0 |
| Site Amenities | 10 | 10 | 7.5 |
| Service Amenities | 10 | 10 | 10 |
| New Construction | 10 | 10 | 0 |
| Sustainable Building Methods | 10 | 10 | 0 |
| Negative Points | -10 | -10 | 0 |
| Total Points | 130 | 100 | 67.5 |

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.