

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 16, 2015
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: California Housing Finance Agency

Allocation Amount Requested:
Tax-exempt: \$11,250,000

Project Information:
Name: Kenneth Park Apartments
Project Address: 5945 Kenneth Avenue
Project City, County, Zip Code: Carmichael, Sacramento, 95608

Project Sponsor Information:
Name: Sac4 Preservation, LP (Sac4 Cornucopia, LLC and Sac4 Preservation Partners, LLC)
Principals: Irene Rivas and Yen Nguyen for Sac4 Cornucopia, LLC; Jon LaLane, Chuck Treach, Nidia Vasquez, and William Szymcak for Sac4 Preservation Partners, LLC
Property Management Company: Preservation Partners Management Group, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, NA
TEFRA Adoption Date: July 24, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 96, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

Originally constructed in 1974, the Property is located at 5945 Kenneth Avenue in Carmichael, Sacramento County, California. The Subject consists of one single-story community building and 11 two-story garden-style buildings that contain 68 one-bedroom units and 29 two-bedroom units for a total of 97 units, and is developed to a density of 23.2 units per acre. The Subject's unit amenities include balcony/patios, blinds, coat closets, carpeting/vinyl/wood plank flooring, and central air conditioning. Kitchen appliances include a refrigerator, garbage disposal, and an oven. Post-renovation, the Subject's units will remain the same with the addition of free wireless internet in each unit. Development Amenities: The Subject's common area amenities include a central laundry facility, on-site management, gated perimeter, and off-street parking. Post-renovation, the development amenities will remain the same. The Subject's scope of renovation will include, but will not be limited to: new roof, new interior LED lighting, new low flow toilets and water faucets, new kitchen appliances, countertops and cabinets, flooring, windows, painting, and free wireless internet in each residential unit. The projected rehabilitation start date is in October 2015, with an estimated completion date of December 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

30% (29 units) restricted to 50% or less of area median income households.

70% (67 units) restricted to 60% or less of area median income households.

Unit Mix: 1 & 2 bedrooms

There are no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 16,603,714	
Estimated Hard Costs per Unit:	\$ 33,683	(\$3,233,566 /96 units)
Estimated per Unit Cost:	\$ 172,955	(\$16,603,714 /96 units)
Allocation per Unit:	\$ 117,188	(\$11,250,000 /96 units)
Allocation per Restricted Rental Unit:	\$ 117,188	(\$11,250,000 /96 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 11,250,000	\$ 10,398,400
Taxable Bond Proceeds	\$ 2,750,000	\$ 0
Developer Equity	\$ 1,954,899	\$ 765,144
LIH Tax Credit Equity	\$ 648,815	\$ 5,192,670
Other (Operating Income)	\$ 0	\$ 247,500
Total Sources	\$ 16,603,714	\$ 16,603,714

Uses of Funds:	
Acquisition/Land Purchase	\$ 8,657,895
On & Off Site Costs	\$ 0
Hard Construction Costs	\$ 3,233,566
Architect & Engineering Fees	\$ 75,000
Contractor Overhead & Profit	\$ 468,221
Developer Fee	\$ 1,954,899
Relocation	\$ 551,050
Cost of Issuance	\$ 284,744
Legal Fees	\$ 137,000
Capitalized Interest	\$ 247,500
Other Soft Costs (PNA,Permits, Contingency, etc.)	\$ 993,839
Total Uses	\$ 16,603,714

Description of Financial Structure and Bond Issuance:

The bonds will be purchased as a private placement transaction by Citibank, NA. During the construction financing phase the loan term will be for 24 months with a fixed interest rate estimated at 4.40% . During the permanent financing phase, the loan term will be for 30 years with an amortization period of 35 years at a fixed rate estimated at 4.40%. There was no underwritten rate provided.

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: 56 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$11,250,000 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]	0
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	10
Service Amenities	10	10	0
New Construction	10	10	6
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	56

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.