

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: Brian Clark

Applicant: California Housing Finance Agency

Allocation Amount Requested:
Tax-exempt: \$10,000,000

Project Information:
Name: Summit at Fair Oaks Apartments
Project Address: 4440 San Juan Avenue
Project City, County, Zip Code: Fair Oaks, Sacramento, 95628

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; William Szymczak and Jon LaLanne 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: 69, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The Project, originally constructed in 1974, is located on a 3.93 acre parcel in Fair Oaks. The Project, consisting of 9 two-story residential buildings, a community building and 100 surface parking spaces; houses 69 tenant units (31 one-bedroom units, 29 two-bedroom units, and 9 three-bedroom units) and a single two-bedroom manager's unit. All tenant units will be income restricted, 21 units at 50% Area Median Income ("AMI") and 48 units at 60% AMI. Unit amenities include balcony/patio, blinds, coat closet, ceiling fans, carpeting central heat/AC, range/oven, refrigerator and garbage disposal. Site amenities include a on-site property management, central laundry room, community room, playground, and a gated perimeter. Unit renovations will include new appliances, countertops and cabinets, flooring, windows, lighting, low flow toilets and faucets, painting, and free wireless internet. Exterior renovations will include new roofing and updated landscaping. rehabilitation is expected to begin in October 2015 and be completed in December 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

30% (21 units) restricted to 50% or less of area median income households.

70% (48 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:	\$ 14,123,031	
Estimated Hard Costs per Unit:	\$ 36,345	(\$2,507,791 /69 units)
Estimated per Unit Cost:	\$ 204,682	(\$14,123,031 /69 units)
Allocation per Unit:	\$ 144,928	(\$10,000,000 /69 units)
Allocation per Restricted Rental Unit:	\$ 144,928	(\$10,000,000 /69 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 10,000,000	\$ 8,982,000
Taxable Bond Proceeds	\$ 1,800,000	\$ 0
Developer Equity	\$ 0	\$ 538,601
Deferred Developer Fee	\$ 1,608,458	\$ 0
LIH Tax Credit Equity	\$ 714,573	\$ 4,272,430
Net Operating Income	\$ 0	\$ 330,000
Total Sources	\$ 14,123,031	\$ 14,123,031

Uses of Funds:	
Acquisition/Land Purchase	\$ 7,517,544
Hard Construction Costs	\$ 2,507,791
Architect & Engineering Fees	\$ 75,000
Contractor Overhead & Profit	\$ 363,127
Developer Fee	\$ 1,608,458
Relocation	\$ 451,050
Cost of Issuance	\$ 384,859
Construction & Permanent Financing	\$ 272,359
Reserves	\$ 202,976
Legal	\$ 112,500
Other Soft Costs (Marketing, etc.)	\$ 627,367
Total Uses	\$ 14,123,031

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 \$10,000,000 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	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	0
Sustainable Building Methods	10	10	6
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.