

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 16, 2016
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: \$15,000,000

Project Information:

Name: Hampton Square Apartments
Project Address: 819 E. Hammer Lane
Project City, County, Zip Code: Stockton, San Joaquin, 95210

Project Sponsor Information:

Name: Stockton Hampton Square, LP (Stockton Hampton Square, LLC & Central Valley Coalition for Affordable Housing)
Principals: Austin Herzog and Peter Herzog for Stockton Hampton Square, LLC; Alan Jenkins, Sid McIntyre, Steve Simmons, Jennifer Bertuccio, Renee Downum and Christina Alley for Central Valley Coalition for Affordable Housing
Property Management Company: Winn Residential

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Wells Fargo Bank, N.A. (constr.) / JLL Capital Markets (perm.)
TEFRA Noticing Date: January 12, 2016
TEFRA Adoption Date: January 26, 2016

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 184, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is an existing development located in the city of Stockton, county of San Joaquin. The project consists of 186 (184 income restricted units and 2 manager units) comprised of 139 two bedroom units, 1 three bedroom unit and 46 four bedroom units. The restricted units will be for qualified residents with incomes ranging from 50% to 60% of the area median income. There are 42 two-story buildings consisting of 4-8 units per building. The project also includes one community building/lease office, four laundry buildings and three pools. All of the units will be upgraded to improve the energy efficiency of all buildings by at least 15%. Windows and patio doors will be replaced, all appliances will be removed and replaced with new energy efficient appliances, common water heaters will be replaced, and new and more efficient HVAC systems will be added to each unit. Existing toilets and sinks will be upgraded to low-flow and shower heads will be replaced with low flow shower heads. Kitchen and bath cabinets and countertops will be removed and replaced. There will be upgrades to the existing vinyl flooring and interior painting in the kitchen and baths of the units. The site will also see improvements and upgrades to ensure that accessibility requirements, including 10% of the units will be made ADA accessible, of which 4% will be made accessible to visual/hearing impaired individuals. The stucco will be patched and repaired as needed and roofs will be replaced. LED light fixtures will replace some of the interior and exterior lights as well. The community building will be upgraded and receive new, energy efficient appliances, a new HVAC unit, new vinyl flooring, and a fresh coat of paint. The stairways and balconies, including railing will be replaced, sections of the site fencing will be repaired and the automatic vehicle entry gate will be replaced.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
10% (19 units) restricted to 50% or less of area median income households.
90% (165 units) restricted to 60% or less of area median income households.
Unit Mix: 2 & 4 bedroom

The proposed project will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	22,119,947	
Estimated Hard Costs per Unit:	\$	34,971	(\$6,434,623 /184 units)
Estimated per Unit Cost:	\$	120,217	(\$22,119,947 /184 units)
Allocation per Unit:	\$	81,522	(\$15,000,000 /184 units)
Allocation per Restricted Rental Unit:	\$	81,522	(\$15,000,000 /184 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 15,000,000	\$ 8,735,153
City of Stockton Loan	\$ 5,948,227	\$ 5,948,227
Existing Replacement Reserves	\$ 299,524	\$ 299,524
Developer Equity	\$ 872,196	\$ 2,000,276
Deferred Developer Fee	\$ 0	\$ 346,383
LIHTC Equity	\$ 0	\$ 4,790,384
Total Sources	\$ 22,119,947	\$ 22,119,947

Uses of Funds:	
Land Cost/Acquisition	\$ 8,255,437
Rehabilitation	\$ 7,078,085
Relocation	\$ 223,200
Architectural Fees	\$ 75,000
Survey & Engineering	\$ 35,000
Construction Interest & Fees	\$ 1,691,581
Permanent Financing	\$ 150,000
Legal Fees	\$ 230,000
Reserves	\$ 759,800
Appraisal	\$ 5,500
Contingency Cost	\$ 707,809
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 561,876
Developer Costs	\$ 2,346,659
Total Uses	\$ 22,119,947

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by Wells Fargo Bank, N.A. (Wells Fargo) for the construction loan and JLL Capital Markets for the permanent loan. During the construction financing phase, Wells Fargo will provide a construction loan in the amount of \$14,134,205. The loan term will be for 30 months with two options of 3-months to extend the loan. The Loan shall bear interest at a rate per annum (computed on the basis of a 360-day year) equal to 1.85% above Lender's quoted one month LIBOR Rate (0.42%), and is a construction indicative rate (2.27%) if the loan were to close of the date of the commitment letter. The interest rate will be a variable rate that will reset on the first day of each month. During the permanent financing phase, JLL Capital Markets will provide a Freddie Mac Unfunded Forward Tax Exempt Loan in the amount of \$8,750,000. The loan term be for 15 years with an amortization period of 35 years at an all-in fixed rate of 4.52%. The payments on the loan for the first two years will be interest only.

Analyst Comments:

None

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:

63 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$15,000,000 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
Preservation Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	25
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	3
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	0
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	0
Negative Points (No Maximum)	-10	-10	0
Total Points	140	120	63

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.