

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 18th, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$42,300,000

Project Information:
Name: Innovia Apartments
Project Address: S. Grimmer Boulevard & Lopes Court
Project City, County, Zip Code: Fremont, Alameda, 94538

Project Sponsor Information:
Name: Warm Springs, LP (St. Anton Warm Springs, LLC and PacH Anton South Holdings, LLC)
Principals: Peter H. Geremia for St. Anton Warm Springs, LLC; Mark Wiese for PacH Anton South Holdings, LLC
Property Management Company: St. Anton Multifamily, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Noticing Date: March 22, 2016
TEFRA Adoption Date: April 5, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 287, plus 3 manager units
Type: New Construction
Type of Units: Family

Innovia is a 290 unit transit-oriented mixed-use affordable housing community proposed by St. Anton Communities, a privately-owned affordable housing developer, builder and manager. Innovia's 290 income-restricted units serve as the affordable housing component for the entire Warm Springs Masterplan Area. In addition to providing income restricted housing that is indistinguishable from market rate housing, the project provides retail space and a variety of onsite amenities, programs, and classes targeted towards the enrichment and growth of the community and Innovia's residents. Innovia is a 100 percent affordable housing community offering 290 units to accommodate individuals and families with very-low and low-incomes. Of these 290 units, 93 are very low income (50% AMI), 194 are low-income (60% AMI) and 3 are managers' units. The unit mix includes 20 studio, 129 one bedroom, 120 two bedroom, and 21 three bedroom units. Project construction is anticipated to start in November 2016 and end in November 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

32% (93 units) restricted to 50% or less of area median income households.

68% (194 units) restricted to 60% or less of area median income households.

Unit Mix: Studio, 1, 2 & 3 bedrooms

The proposed project will be providing service amenities such as After School Programs and Instructor-Led Educational, Health and Wellness or Skill Building Classes for a minimum of 84 hours per year..

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

| | | | |
|-----------------------------------------------|----|------------|--------------------------------------|
| Estimated Total Development Cost: | \$ | 85,514,496 | |
| Estimated Hard Costs per Unit: | \$ | 163,820 | (\$47,016,375 /287 units) |
| Estimated per Unit Cost: | \$ | 297,960 | (\$85,514,496 /287 units) |
| Allocation per Unit: | \$ | 147,387 | (\$42,300,000 /287 units) |
| Allocation per Restricted Rental Unit: | \$ | 147,387 | (\$42,300,000 /287 restricted units) |

| Sources of Funds: | <u>Construction</u> | <u>Permanent</u> |
|-----------------------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 42,300,000 | \$ 34,550,000 |
| Citibank, N.A. Subordinate Loan | \$ 3,575,000 | \$ 3,575,000 |
| Lennar (Master Developer) Subsidy | \$ 5,600,000 | \$ 5,600,000 |
| LIHCTax Credit Equity | \$ 25,000,000 | \$ 34,367,637 |
| NOI during Lease-Up | \$ 1,381,859 | \$ 1,381,859 |
| Lennar (Master Developer) Land Donation | \$ 5,040,000 | \$ 5,040,000 |
| Deferred Developer Fee | \$ 0 | \$ 1,000,000 |
| Total Sources | \$ 82,896,859 | \$ 85,514,496 |

| Uses of Funds: | |
|---------------------------------------------------|----------------------|
| Land Cost/Acquisition | \$ 5,040,000 |
| New Construction | \$ 53,917,175 |
| Hard Cost Contingency | \$ 2,606,406 |
| Architectural Fees | \$ 909,000 |
| Surveying and Engineering | \$ 506,070 |
| Construction, Interest and Fees | \$ 1,933,735 |
| Permanent Financing | \$ 2,119,668 |
| Legal Fees | \$ 140,000 |
| Reserves | \$ 1,033,683 |
| Local Development Impact Fees | \$ 9,829,253 |
| Ded. Improv. in Lieu Local Develop. Imp. Fees | \$ 2,201,840 |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 2,777,666 |
| Developer Costs | \$ 2,500,000 |
| Total Uses | \$ 85,514,496 |

Description of Financial Structure and Bond Issuance:

This is a California Statewide Communities Development Authority private placement bond issuance with Citibank, N.A. placing the bonds. During the construction financing phase the loan term will be for 36 months with a variable interest rate of 2.24%. During the permanent financing phase, the loan term and amortization period will both be for 35 years at a fixed rate of 4.11%.

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: 88.7 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$42,300,000 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 | 35 |
| Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project] | [10] | [10] | 10 |
| Gross Rents | 5 | 5 | 5 |
| Large Family Units | 5 | 5 | 0 |
| Leveraging | 10 | 10 | 2.2 |
| Community Revitalization Area | 5 | 5 | 0 |
| Site Amenities | 10 | 10 | 7.5 |
| Service Amenities | 10 | 10 | 10 |
| New Construction or Substantial Renovation | 10 | 10 | 10 |
| Sustainable Building Methods | 10 | 10 | 9 |
| 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 | 88.7 |

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.