

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**July 19, 2017**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Shirley Hom*

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**Applicant:** California Statewide Communities Development Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$38,000,000

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**Project Information:**  
**Name:** Kensington Apartments  
**Project Address:** 3644 Kings Way  
**Project City, County, Zip Code:** Sacramento, Sacramento, 95821

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**Project Sponsor Information:**  
**Name:** Kensington Apartments, LP (Kensington Apartments GP, LLC, and Casa Major, Inc.)  
**Principals:** Robert Klein for Kensington Apartments GP, LLC and Nancy Riley, Carol Bradley and Mary Ruth Virgil for Casa Major, Inc.  
**Property Management Company:** Alliance Residential Company

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Private Placement Purchaser:** Deutsche Bank AG, New York Branch  
**Cash Flow Permanent Bond:** Not Applicable  
**Public Sale:** Not Applicable  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Rating:** Not Applicable  
**TEFRA Noticing Date:** April 25, 2017  
**TEFRA Adoption Date:** May 9, 2017

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**Description of Proposed Project:**  
**State Ceiling Pool:** Mixed  
**Total Number of Units:** 301  
**Manager's Units:** 3 Unrestricted  
**Type:** Acquisition and Rehabilitation  
**Population Served:** Family

Kensington Apartments is an existing project located in Sacramento on a 13-acre site. The project consists of 61 restricted rental units, 237 market rate units and 3 unrestricted managers' units. The project has 40 studio units, 79 one-bedroom units, 158 two-bedroom units and 24 three-bedroom units. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of exterior paint on stucco buildings, roof replacement, perimeter fencing upgrade, retaining wall upgrade, solar system installation and landscaping and irrigation improvements. Interior renovations will include renovation of all units, including new granite countertops, new appliances, new windows, new sliding doors, and new lighting and plumbing fixtures. Lastly, common or site area renovations will consist of clubhouse/fitness center renovations. The rehabilitation is expected to begin in September 2017 and completed in December 2018.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 20%  
20% (61 units) restricted to 50% or less of area median income households.  
**Unit Mix:** 1, 2 & 3 bedrooms

The proposed project will be providing service amenities.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 47,737,700	
<b>Estimated Hard Costs per Unit:</b>	\$ 27,443	(\$8,260,234 /301 units including mgr. units)
<b>Estimated per Unit Cost:</b>	\$ 158,597	(\$47,737,700 /301 units including mgr. units)
<b>Allocation per Unit:</b>	\$ 126,246	(\$38,000,000 /301 units including mgr. units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 622,951	(\$38,000,000 /61 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 38,000,000	\$ 38,000,000
LIH Tax Credit Equity	\$ 2,802,631	\$ 2,802,631
Developer Equity	\$ 3,444,235	\$ 3,444,235
Deferred Developer Fee	\$ 3,000,000	\$ 3,000,000
Net Income From Operations	\$ 490,834	\$ 490,834
<b>Total Sources</b>	<b>\$ 47,737,700</b>	<b>\$ 47,737,700</b>

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 29,300,000
Rehabilitation	\$ 8,850,472
Relocation	\$ 75,000
Contractor Overhead & Profit	\$ 660,819
Architectural Fees	\$ 125,000
Construction Interest and Fees	\$ 392,335
Permanent Financing	\$ 122,461
Legal Fees	\$ 200,000
Reserves	\$ 956,169
Appraisal	\$ 20,000
Hard Cost Contingency	\$ 1,426,694
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 208,750
Developer Costs	\$ 5,400,000
<b>Total Uses</b>	<b>\$ 47,737,700</b>

**Analyst Comments:**

None

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**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.

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**Total Points:**

43 out of 110 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approves \$38,000,000 in tax exempt bond allocation on a carryforward basis.

**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	20
Exceeding Minimum Income Restrictions:	35	15	6
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	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	5
Service Amenities	10	10	5
New Construction or Substantial Renovation	10	10	0
Sustainable Building Methods	10	10	2
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	N/A
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	N/A
Negative Points (No Maximum)	-10	-10	0
<b>Total Points</b>	<b>140</b>	<b>110</b>	<b>43</b>