

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 12, 2018
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Ruben Barcelo

Applicant:	California Housing Finance Agency
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Allocation Amount Requested:	Tax-exempt:	\$48,103,724
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Project Information:	Name:	1717 S Street Apartments
	Project Address:	1717 S Street
	Project City, County, Zip Code:	Sacramento, Sacramento, 95811

Project Sponsor Information:	Name:	1717 S Street Investors, LP (1717 S Street Investors, LLC; and Capitol Area Community Development Corporation)
	Principals:	Cyrus Youssefi for 1717 S Street Investors, LLC; and Wendy Saunders, Marc de la Vergne, Rachel Mercurio and Noelle Mussen for Capitol Area Community Development Corporation
	Property Management Company:	C.F.Y. Development, Inc.

Project Financing Information:	Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
	Private Placement Purchaser:	JPMorgan Chase Bank, N.A. (construction) / CalHFA (permanent)
	Cash Flow Permanent Bond:	Not Applicable
	Public Sale:	Not Applicable
	Underwriter:	Not Applicable
	Credit Enhancement Provider:	Not Applicable
	Rating:	Not Applicable
	TEFRA Noticing Date:	October 4, 2018
	TEFRA Adoption Date:	November 2, 2018

Description of Proposed Project:	State Ceiling Pool:	Mixed
	Total Number of Units:	159
	Manager's Units:	1 Unrestricted
	Type:	New Construction
	Population Served:	Family

1717 S Street Apartments is a new construction mixed-income project located in Sacramento on a 1.18-acre site. The project will provide 45 restricted rental units, 113 market rate units and 1 unrestricted manager unit distributed as 16 studios, 119 one-bedroom units and 24 two-bedroom units. The six-story building will be designed as five stories of residential space served by two elevators built over ground floor commercial/retail space with a two-level underground parking garage. Common amenities will include expansive outdoor patio space, rooftop terrace, fitness room, meeting room, on-site storage, on-site manager and parking. Individual units will feature quartz countertops, a refrigerator, range/oven, dishwasher, garbage disposal and washer/dryer hookup. Parking will be provided for 126 vehicles, 7 motorcycles and 128 bicycles. Construction is expected to begin May 2019 and be completed in June 2021.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 28%
28% (45 units) restricted to 50% or less of area median income households.

Unit Mix: Studio, 1 & 2 bedrooms

The proposed project will not be receiving service amenity points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 63,261,028	
Estimated Hard Costs per Unit:	\$ 234,591	(\$37,300,000 /159 units including mgr. units)
Estimated per Unit Cost:	\$ 397,868	(\$63,261,028 /159 units including mgr. units)
Allocation per Unit:	\$ 302,539	(\$48,103,724 /159 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 1,068,972	(\$48,103,724 /45 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 48,103,724	\$ 0
Taxable Loan Proceeds (CalHFA/HUD Risk-Share)	\$ 0	\$ 38,610,455
CalHFA Taxable Gap Loan	\$ 0	\$ 3,160,000
LIH Tax Credit Equity	\$ 0	\$ 8,427,203
Investor's Equity	\$ 857,809	\$ 0
Deferred Developer Fee	\$ 4,924,501	\$ 4,813,370
General Partner Loan	\$ 1,500,000	\$ 1,500,000
SHRA Loan	\$ 3,450,000	\$ 3,300,000
Deferred Reserves	\$ 1,124,994	\$ 0
Capitol Area Development Authority (CADA) Loan	\$ 3,300,000	\$ 3,300,000
Sewer Credits	\$ 0	\$ 150,000
Total Sources	\$ 63,261,028	\$ 63,261,028

Uses of Funds:	
Land Cost/Acquisition	\$ 3,900,000
New Construction	\$ 40,514,150
Contractor Overhead & Profit	\$ 3,210,486
Architectural Fees	\$ 1,200,000
Survey and Engineering	\$ 200,000
Construction Interest and Fees	\$ 2,446,000
Permanent Financing	\$ 619,826
Legal Fees	\$ 345,000
Reserves	\$ 1,124,994
Appraisal	\$ 15,000
Hard Cost Contingency	\$ 1,865,000
Local Development Impact Fees	\$ 1,824,902
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,071,169
Developer Costs	\$ 4,924,501
Total Uses	\$ 63,261,028

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:

39 out of 120 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$48,103,724 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	0
Exceeding Minimum Income Restrictions:	35	15	9
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
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	0
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	-10
Total Points	140	120	39