

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
January 16, 2019
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: California Housing Finance Agency

Allocation Amount Requested:

Tax-exempt: \$27,700,000

Project Information:

Name: Mulberry Gardens Apartments
Project Address: 555 Howe Avenue
Project City, County, Zip Code: Sacramento, Sacramento, 95825

Project Sponsor Information:

Name: Sacramento Affordable Communities, L.P. (Pacific Housing Inc.; Mulberry Communities, LLC and Sacramento for Ten, LLC)
Principals: Mark Wiese and Mathew Eland for Pacific Housing Inc.; Ruben Islas, Jr., Jules L. C. Arthur and Michael Coit for Mulberry Communities LLC; and Ruben Islas, Jr. for Sacramento for Ten, LLC
Property Management Company: Logan Property Management, Inc.

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Citibank, N.A./Campus Gardens Housing Partners, L.P.
Cash Flow Permanent Bond: Campus Gardens Housing Partners, L.P.
Public Sale: Not Applicable
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Rating: Not Applicable
TEFRA Noticing Date: October 5, 2018
TEFRA Adoption Date: November 2, 2018

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 126
Manager's Units: 1 Unrestricted
Type: Acquisition and Rehabilitation
Population Served: Family

Mulberry Gardens Apartments is an existing project located in Sacramento on a 5.83 acre site. The project consists of 125 restricted rental units and 1 unrestricted manager unit. The project has 46 one-bedroom units and 80 two-bedroom units. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of roof replacement, repairs to drywall, landscaping upgrades and a fresh coat of paint for all buildings. Interior renovations will include repairs to the laundry room and the community room. Individual apartment units will include a new appliance package, new cabinets, new fixtures for the bathroom and kitchen, upgrades to wall air conditioning units with electric heat pumps and plumbing and electrical updates. Lastly, common or site area renovations will consist of repairs to asphalt to common areas and playground. The rehabilitation is expected to begin in February 2019 and be completed in December 2019.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
10% (13 units) restricted to 50% or less of area median income households.
90% (112 units) restricted to 60% or less of area median income households.
Unit Mix: 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:	\$ 32,389,216	
Estimated Hard Costs per Unit:	\$ 36,332	(\$4,577,875 /126 units including mgr. unit)
Estimated per Unit Cost:	\$ 257,057	(\$32,389,216 /126 units including mgr. unit)
Allocation per Unit:	\$ 219,841	(\$27,700,000 /126 units including mgr. unit)
Allocation per Restricted Rental Unit:	\$ 221,600	(\$27,700,000 /125 restricted units)

Sources of Funds:

	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 24,700,000	\$ 17,200,000
Cash Flow Permanent Bonds	\$ 3,000,000	\$ 3,000,000
LIH Tax Credit Equity	\$ 614,462	\$ 10,397,682
Deferred Developer Fee	\$ 3,921,754	\$ 1,638,534
Existing Reserves	\$ 153,000	\$ 153,000
Total Sources	\$ 32,389,216	\$ 32,389,216

Uses of Funds:

Land Cost/Acquisition	\$ 20,296,880
Rehabilitation	\$ 4,931,247
Relocation	\$ 126,000
Contractor Overhead & Profit	\$ 394,027
Architectural Fees	\$ 85,000
Construction Interest and Fees	\$ 506,967
Permanent Financing	\$ 189,500
Legal Fees	\$ 260,000
Reserves	\$ 428,287
Appraisal	\$ 10,000
Hard Cost Contingency	\$ 508,653
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 730,901
Developer Costs	\$ 3,921,754
Total Uses	\$ 32,389,216

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:

60 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$27,700,000 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	20
Exceeding Minimum Income Restrictions:	35	15	25
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
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	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	0
Total Points	140	110	60