

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 11, 2019
Staff Report
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT**

Prepared by: Isaac Clark III

Applicant: Housing Authority of the City of Sacramento

Allocation Amount Requested:
Tax-exempt: \$40,000,000

Project Information:
Name: Twin Rivers Blocks B and E
(Scattered Site)
Project Address: 321 Eliza Street Block B and Block E
Project City, County, Zip Code: Sacramento, Sacramento, 95811

Project Sponsor Information:
Name: Twin Rivers Phase 2, LP (Twin Rivers Phase 2, MBS GP / Sacramento Housing Authority Relocation Program, Inc. / Wells Fargo Affordable Housing Community Development Corporation)
Principals: Kevin J. McCormack, President, Vince R. Bennett, VP, Gary M. Buechler, VP, Hillary B. Zimmerman, VP, Kim Hartmann, VP, Daniel Falcon, Jr, VP for Twin Rivers Phase 2, MBS GP / James Shields, President, Susana Jackson, Treasurer, Michael Taylor, Secretary, Richard Ciraulo, Director, William Fagen, Director for Sacramento Housing Authority Relocation Program, Inc.
Property Management Company: McCormack Baron Management

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: US Bank
Cash Flow Permanent Bond: Not Applicable
Public Sale: Not Applicable
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Rating: Not Applicable
TEFRA Noticing Date: September 12, 2019
TEFRA Adoption Date: September 24, 2019

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 123
Manager's Units: 1 Unrestricted
Type: New Construction
Population Served: Family

Twin Rivers Blocks B & E is a project located in Sacramento on a 1.6-acre site. The project consists of 100 restricted rental units, 22 market rate units and 1 unrestricted manager unit. The project will have 44 one-bedroom units, 52 two-bedroom units, 18 three-bedroom units, 7 four-bedroom units, 1 five-bedroom unit, and 1 two-bedroom unit as the manager unit. There will be a total of 88 surface parking spaces across Blocks B & E. Each lot will have the required number of accessible parking spaces as well as the infrastructure for electrical vehicle charging and secured bicycle storage facilities. Additional site amenities will include landscaped courtyards and a play area on Block E. Residents of Blocks B & E will have full access to the property management offices, resident services offices, computer lab, community rooms, swimming pool, and all area amenities will be fully accessible. Each unit will have energy star rated appliances such as refrigerator, range, dishwasher and in-unit washer and dryer. Micro-hoods will be included in non-accessible units and microwave shelves will be built into lower cabinets in ADA units. The construction is expected to begin March 2020 and be completed in July 2021.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 82%
57% (69 units) restricted to 50% or less of area median income households.
25% (31 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2, 3, 4 & 5 bedroom

The proposed project will be receiving service amenity points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 69,348,162	
Estimated Hard Costs per Unit:	\$ 330,923	(\$40,703,542 /123 units including mgr. unit)
Estimated per Unit Cost:	\$ 563,806	(\$69,348,162 /123 units including mgr. unit)
Allocation per Unit:	\$ 325,203	(\$40,000,000 /123 units including mgr. unit)
Allocation per Restricted Rental Unit:	\$ 400,000	(\$40,000,000 /100 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 40,000,000	\$ 10,190,619
Cash Flow Permanent Bonds	\$ 0	\$ 0
Tranche B Financing	\$ 0	\$ 0
Taxable Bond Proceeds	\$ 0	\$ 0
LIH Tax Credit Equity	\$ 7,877,487	\$ 26,755,648
Income from Operators	\$ 0	\$ 0
Deferred Developer Fee	\$ 0	\$ 6,679,892
Costs Deferred Until Conversion	\$ 8,681,687	\$ 0
Seller Carryback Loan	\$ 0	\$ 0
HCD AHSC	\$ 0	\$ 12,933,015
SHRA Choice	\$ 8,000,000	\$ 8,000,000
SHRA Infrastructure	\$ 4,630,588	\$ 4,630,588
SHRA Ground Lease Note	\$ 158,400	\$ 158,400
Misc	\$ 0	\$ 0
Total Sources	\$ 69,348,162	\$ 69,348,162
 Uses of Funds:		
Land Cost/Acquisition	\$ 4,806,588	
Rehabilitation	\$ 0	
Relocation	\$ 0	
New Construction	\$ 40,703,542	
Contractor Overhead & Profit	\$ 0	
Architectural Fees	\$ 2,276,499	
Survey and Engineering	\$ 230,428	
Construction Interest and Fees	\$ 3,514,668	
Permanent Financing	\$ 165,453	
Legal Fees	\$ 525,000	
Reserves	\$ 1,074,927	
Appraisal	\$ 14,000	
Hard Cost Contingency	\$ 4,506,555	
Local Development Impact Fees	\$ 0	
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 2,996,875	
Developer Costs	\$ 8,533,627	
Total Uses	\$ 69,348,162	

Analyst Comments:

This project is considered a high cost per unit project. Maximum TCAC allowed developer fee. City required infrastructure and HCD required transition reserve are contributing factors.

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:

85 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$40,000,000 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	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10.00
Large Family Units	5	5	0.00
Leveraging	10	10	10.00
Community Revitalization Area	5	5	0.00
Site Amenities	10	10	5.00
Service Amenities	10	10	5.00
New Construction or Substantial Renovation	10	10	10.00
Sustainable Building Methods	10	10	10.00
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	0.00
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	0.00
Negative Points (No Maximum)	-10	-10	0.00
Total Points	140	120	85.00