

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 16, 2015
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Devon King

Applicant: California Housing Finance Agency

Allocation Amount Requested:
Tax-exempt: \$10,000,000

Project Information:
Name: Groves at Manzanita Apartments
Project Address: 5701 Manzanita Avenue
Project City, County, Zip Code: Carmichael, Sacramento, 95608

Project Sponsor Information:
Name: Sac4 Preservation Limited Partnership (Sac4 Cornucopia, LLC and Sac 4 Preservation Partners, LLC)
Principals: Jon LaLanne, Chuck Treatch Nidia Vasquez, and William Szymcak for Sac4 Preservation Partners, LLC; Irene Rivas, Yen Nguyen, and Nidia Vasquez for Sac4 Cornucopia, LLC)
Property Management Company: Preservation Partners Management Group, Inc.

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citi Bank, N.A.
TEFRA Adoption Date: July 24, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 88, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is an existing 89 unit apartment complex located in Carmichael, CA built in 1973. The site is approximately 197,762 square feet, or 4.54 acres. The buildings are wood frame construction with slab concrete flooring, stucco and wood trim exteriors, and pitched composition shingle roofs. The property consists of one single-story community building and eight two-story townhome and garden-style buildings that contain 64 one-bedroom units and 25 two-bedroom units. The Project’s unit amenities include balconies/patios, blinds, coat closets, central heating and wall conditioning, and carpeting/hardwood. Kitchen appliances include a refrigerator, garbage disposal, and a stove/oven. Post renovation, the Project’s unit amenities will remain the same. The Project’s scope of renovation will include, but will not be limited to: updated landscaping, new kitchen appliances, countertops and cabinets, flooring, windows, painting, and free wireless internet in each residential unit. The projected rehabilitation start date is in October 2015, with an estimated completion date of December 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
31% (27 units) restricted to 50% or less of area median income households.
69% (61 units) restricted to 60% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

There are no service amenities for the project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 15,391,648	
Estimated Hard Costs per Unit:	\$ 36,745	(\$3,233,566 /88 units)
Estimated per Unit Cost:	\$ 174,905	(\$15,391,648 /88 units)
Allocation per Unit:	\$ 113,636	(\$10,000,000 /88 units)
Allocation per Restricted Rental Unit:	\$ 113,636	(\$10,000,000 /88 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 10,000,000	\$ 8,664,089
Taxable Bond Proceeds	\$ 3,000,000	\$ 0
Deferred Developer Fee	\$ 1,768,364	\$ 1,095,349
LIH Tax Credit Equity	\$ 337,284	\$ 5,346,210
Direct & Indirect Public Funds	\$ 0	\$ 0
Other(NOI- during construction)	\$ 286,000	\$ 286,000
Total Sources	\$ 15,391,648	\$ 15,391,648

Uses of Funds:	
Acquisition/Land Purchase	\$ 7,666,667
Operating Reserves	\$ 202,974
Hard Construction Costs	\$ 3,233,567
Architect & Engineering Fees	\$ 75,000
Contractor Overhead & Profit	\$ 468,221
Developer Fee	\$ 1,768,364
Relocation	\$ 533,850
Legal Fees	\$ 75,000
Cost of Issuance	\$ 330,671
Construction and Permanent Financing	\$ 286,000
Other Soft Costs (Marketing, etc.)	\$ 751,334
Total Uses	\$ 15,391,648

Description of Financial Structure and Bond Issuance:

The proposed financial structure for the bonds will be a privately placed bond purchase by Citibank, N.A. During the construction financing phase the loan term will be for 24 months with a fixed interest rate of 4.40%. The construction phase financing will be broken up into two separate Tranches, A and B. Tranche A will be tax exempt for \$10,000,000 and there will be a taxable piece for \$3,000,000 for Tranche B. During the permanent financing phase, the loan term will be for 30 years with an amortization period of 35 years at a fixed rate of 4.40%. There was no underwritten rate provided.

Analyst Comments:

Not Applicable

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: 57.5 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$10,000,000 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
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	0
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.5
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	10
Negative Points	-10	-10	0
Total Points	130	100	57.5

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.