

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: \$10,500,000

Project Information:
Name: Sunrise Meadows Apartments
Project Address: 11020 Coloma Road
Project City, County, Zip Code: Rancho Cordova, Sacramento, 95670

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: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank N.A.
TEFRA Adoption Date: July 7, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 94, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project was built in 1973 in Rancho Cordova, CA and measures approximately 5.0 acres, or 217,800 square feet. The Subject will offer 45 one-bedroom units and 49 two-bedroom units restricted to households earning 50 and 60 percent of the area median income (AMI) or less. Furthermore, 44 units will continue to benefit from a Section 8 contract, with tenants continuing to pay 30 percent of their income toward rent. The project consists of 13 two-story townhome and garden-style buildings, as well as a one-story community building. The buildings are wood frame construction with wood plank exteriors, and pitched roofs with composition shingles. The project's unit amenities include balcony/patios, blinds, coat closets, carpeting/vinyl/wood plank flooring, and wall or central air conditioning. Kitchen appliances include a refrigerator, garbage disposal, and an oven. Post renovation, the project's units will remain the same with the addition of free wireless internet in each unit. The project's common area amenities include a central laundry facility, on-site management, playground, and off-street parking. The project's scope of work will include, but will not be limited to: updated landscaping, new kitchen appliances, countertops and cabinets, roof, flooring, windows, interior LED lighting, low flow toilets and water faucets, painting, and free wireless internet in each residential unit. Expected start date for construction is November 2015 with completion in December 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

20% (19 units) restricted to 50% or less of area median income households.

80% (75 units) restricted to 60% or less of area median income households.

Unit Mix: 1 & 2 bedrooms

There will be no service amenities for the proposed project

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 16,268,645	
Estimated Hard Costs per Unit:	\$ 35,605	(\$3,346,906 /94 units)
Estimated per Unit Cost:	\$ 173,071	(\$16,268,645 /94 units)
Allocation per Unit:	\$ 111,702	(\$10,500,000 /94 units)
Allocation per Restricted Rental Unit:	\$ 111,702	(\$10,500,000 /94 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 10,500,000	\$ 9,141,000
Taxable Bond Proceeds	\$ 2,600,000	\$ 0
Deferred Developer Fee	\$ 1,894,496	\$ 0
LIH Tax Credit Equity	\$ 1,274,149	\$ 5,032,220
Other (Developer Equity)	\$ 0	\$ 1,864,425
Other (NOI)	\$ 0	\$ 231,000
Total Sources	\$ 16,268,645	\$ 16,268,645

Uses of Funds:	
Acquisition/Land Purchase	\$ 8,157,894
Operating Reserve	\$ 215,069
Hard Construction Costs	\$ 3,346,906
Architect & Engineering Fees	\$ 75,000
Contractor Overhead & Profit	\$ 484,631
Developer Fee	\$ 1,894,496
Relocation	\$ 651,050
Legal Fees	\$ 162,500
Construction and Permanent Financing	\$ 231,000
Cost of Issuance	\$ 247,508
Construction Contingency	\$ 399,466
Other Soft Costs (Marketing, Third Part Reports, Furnishings etc.)	\$ 403,125
Total Uses	\$ 16,268,645

Description of Financial Structure and Bond Issuance:

The proposed financial structure is a private placement bond purchase provided by Citibank, N.A for the construction and permanent financing. During the construction financing phase the loan term will be for 24 months with a fixed interest rate of 4.40%. Construction financing will be broken into two separate tranches, A and B. Both Tranches will have the same interest rate of 4.40%. Tranche A will be for \$10,500,000 but will be tax exempt, and Tranche B will be \$2,600,000 but will be taxable. 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:

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: 55 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$10,500,000 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	30
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	10
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	55

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.