

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 21, 2012
Staff Report
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT**

Prepared by: Crystal Alvarez

Applicant: Housing Authority of the City of Sacramento

Allocation Amount Requested:
Tax-exempt: \$3,125,000

Project Information:
Name: Kelsey Village Apartments
Project Address: 2830 Stockton Boulevard
Project City, County, Zip Code: Sacramento, Sacramento, 95817

Project Sponsor Information:
Name: Kelsey Village, L.P. (Satellite Kelsey Village, Inc.)
Principals: Nina Marinkovich, Elizabeth Orlin, M. Brant Watson, Ronald Nelson and Ryan Chao
Property Management Company: Domus Management Company

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe, LLP
Private Placement Purchaser: Wells Fargo Bank, N.A. (Construction)/ HUD Section 811 (Permanent)
TEFRA Hearing Date: August 9, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 19, plus 1 manager unit
Type: New Construction
Type of Units: Family/Special Needs

Kelsey Village Apartments will be located on 0.7 acres at 2830 Stockton Boulevard in Sacramento. The site, formerly know as the San Carlos Motel, was constructed in the early 1960's and rehabilitated in 1979 as a independent living facility for mentally disabled adults. The project sponsor and developer will demolish the existing dilapidated building and replace it with a new 20 unit apartment building (18 one-bedroom units and 2 two-bedroom units). The new energy efficient building will feature rooftop solar panels. At least 15 of the 20 units will be restricted to low-income developmentally disabled households.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (19 units) restricted to 50% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

The project sponsor has committed to providing residents with a bona fide service coordinator/social worker for a period of 10 years.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	5,840,074	
Estimated Hard Costs per Unit:	\$	163,217	(\$3,101,122 /19 units)
Estimated per Unit Cost:	\$	307,372	(\$5,840,074 /19 units)
Allocation per Unit:	\$	164,474	(\$3,125,000 /19 units)
Allocation per Restricted Rental Unit:	\$	164,474	(\$3,125,000 /19 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 3,125,000	\$ 0
Deferred Developer Fee	\$ 551,319	\$ 157,208
LIH Tax Credit Equity	\$ 293,755	\$ 1,958,366
Direct & Indirect Public Funds	\$ 1,870,000	\$ 3,724,500
Total Sources	\$ 5,840,074	\$ 5,840,074

Uses of Funds:	
Land Purchase	\$ 295,000
On & Off Site Costs	\$ 504,038
Hard Construction Costs	\$ 2,597,084
Architect & Engineering Fees	\$ 321,081
Contractor Overhead & Profit	\$ 140,270
Developer Fee	\$ 642,976
Cost of Issuance	\$ 72,578
Capitalized Interest	\$ 152,344
Other Soft Costs (Marketing, etc.)	\$ 1,114,703
Total Uses	\$ 5,840,074

Description of Financial Structure and Bond

The tax-exempt bonds will be privately placement with Wells Fargo Bank, N.A. for a construction loan. The bonds will be issued in the form of a Loan-Note with a 20 month term and interest only payments. The loan shall bear interest at a rate per annum equal to 30-day LIBOR Rate plus 275 bps. The permanent loan commitment will be provided through the HUD 811 program. The interest rate to be reflected on the HUD Capital Advance Note will have an interest rate set by HUD for the fiscal year in which the final closing occurs. In addition to the tax-exempt bonds, the project will be funded with a loan from Sacramento Housing and Redevelopment Agency, HOME Funds, the City Housing Trust Fund and Tax Credit Equity.

Analyst Comments:

The project received a Forward Commitment Letter from CDLAC on August 24, 2011

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: 87.5 out of 128
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$3,125,000 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	10
Community Revitalization Area	15	15	15
Site Amenities	10	10	7.5
Service Amenities	10	10	5
New Construction	10	10	10
Sustainable Building Methods	8	8	0
Negative Points	-10	-10	0
Total Points	128	110	87.5

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.