

STAFF REPORT



ITEM NO. 18
CITY OF OCEANSIDE

DATE: January 9, 2008

TO: Honorable Mayor and City Councilmembers
Chairman and Members of the Community Development Commission

FROM: Neighborhood Services Department
Housing and Code Enforcement Division

SUBJECT: **ADOPTION OF A RESOLUTION APPROVING THE ISSUANCE OF MULTIFAMILY HOUSING REVENUE BONDS BY THE CITY IN A NOT-TO-EXCEED AMOUNT OF \$12,500,000 TO FINANCE THE ACQUISITION AND REHABILITATION OF COUNTRY CLUB APARTMENTS, A 91-UNIT HOUSING COMPLEX LOCATED AT 201 COUNTRY CLUB LANE TO BE OWNED AND OPERATED BY WAKELAND HOUSING AND DEVELOPMENT CORPORATION**

SYNOPSIS

Staff recommends that the City Council/Community Development Commission hold a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing in order to consider the issuance of tax-exempt multifamily housing revenue bonds to finance the acquisition and rehabilitation of the 91-Unit Country Club Apartments affordable housing project; and adopt a resolution approving the issuance of the bonds by the City.

BACKGROUND

A TEFRA public hearing is required by the Internal Revenue Code in order to issue tax-exempt revenue bonds (the "Bonds") in an aggregate amount not to exceed \$12.5 million on behalf of Wakeland Housing and Development Corporation, (the "Developer"). The City will loan the proceeds of the Bonds to the Developer who will use the proceeds of the Bonds for the acquisition and rehabilitation of a 91-unit multifamily housing project located at 201 Country Club Lane in the City of Oceanside (the "Project"). This source of funding is one component of the Project's approximately \$21.14 million total Financing Plan.

ANALYSIS

The Bonds will be tax-exempt private activity bonds for the purposes of the Internal Revenue Code and, as such, require the approval of the elected body of the governmental entity having jurisdiction over the area where the project to be financed is located. The City will not be under any obligation to repay the Bond indebtedness.

In order for the City to issue such Bonds, the City at this time must: (1) conduct a public hearing allowing members of the public to comment on the proposed Project, and (2) approve a resolution authorizing the issuance of the Bonds.

The Developer will apply to the California Debt Limit Allocation Committee (CDLAC) for an allocation of the State's annual volume limit imposed by Federal tax law. Once an allocation for the project is received the City will be asked to approve the Bond documents and authorize the actual issuance of the Bonds. It is expected that this will occur in May 2008.

FISCAL IMPACT

There is no direct or indirect financial impact to the City of Oceanside as a result of this proposed financing. The City will issue tax-exempt revenue bonds for the Project. The tax-exempt revenue bonds are payable solely out of the revenues derived by the Developer from the applicable Project. No financial obligations are placed on the City for project financing costs or debt repayment.

COMMISSION OR COMMITTEE REPORT

Does not apply.

CITY ATTORNEY'S ANALYSIS

The resolution has been reviewed by the City Attorney and approved as to form.

RECOMMENDATION

Staff recommends that the City Council/Community Development Commission hold a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing for the issuance of tax-exempt multifamily housing revenue bonds to finance the acquisition and rehabilitation of the 91-Unit Country Club Apartments affordable housing project; and adopt a resolution approving the issuance of the bonds by the City.

PREPARED BY:



David L. Manley
Neighborhood Services Division Manager

SUBMITTED BY:



Peter A. Weiss
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager

Margery Pierce, Neighborhood Services Director

Michelle Lund, Treasury Manager



Attachments: Resolution, Project Budget

Seaside 91 Unit Rehab.

2008 Bond Sale

**RUN DATE: 10/17/07
05:24 PM**

RECAST ASSUMPTIONS

DEVELOPMENT SCHEDULE

Units for Rent		90
Manager's Units		1
Total Number of Units		91
Density Per Acre	3.00 Acres	30.33
Construction Start		
Completion/Certificate of Occupancy		
Construction Period (Months)		
Start of Leasing		
Units Leased per Month		
Stabilized Occupancy		
Lease-Up Period (Months)		
Permanent Loan Takeout		
Total Months - Const Start to Takeout		

SOURCES AND USES OF FUNDS

	per unit	Construction	Permanent	Final Perm.
SOURCES:				
Land/Acquisition	\$112,253	\$10,215,000	\$10,215,000	\$10,215,000
Design & Engineering	\$3,033	276,000	276,000	276,000
Legal/Financial/Other Consultants	\$2,599	222,290	236,487	236,487
Permits & Fees	\$681	62,000	62,000	62,000
Bridge Loan Interest	\$0	0	0	0
Direct Building Construction	\$84,334	5,854,359	5,854,359	5,854,359
Financing Costs	\$24,674	2,050,890	2,236,204	2,236,204
Marketing/General & Administrative	\$819	74,500	74,500	74,500
Developer Fees	\$13,187	300,000	1,200,000	1,200,000
Hard Cost Contingency	\$9,650	878,154	878,154	878,154
Soft Cost Contingency	\$1,171	106,527	106,527	106,527
Total Project Uses	\$232,299	\$20,039,721	\$21,139,232	\$21,139,232

SOURCES:

Tax Credit Equity	79,247	\$1,081,724	\$7,211,492	\$7,211,492
Tax- Exempt Bonds (Permanent Loan)	33,772	0	3,073,264	3,073,264
MHP Financing	0	0	0	0
Bond Arbitrage	0	0	0	0
Construction Loan	0	11,357,997	0	0
Deferred Developer Fees	0	0	0	0
City Subsidy	119,280	7,600,000	10,854,477	10,854,477
Gap	0	0	0	0
Total Project Sources	\$232,299	\$20,039,721	\$21,139,232	\$21,139,232

Total Max. Bonds	11,357,997	55.47%
Bridge Loan	8,284,733	

RESIDENTIAL UNIT MIX/AFFORDABILITY ANALYSIS

Income	Studio	Mgns. Units				Total Units	% of TC
		BR2/BA2	1BR/1BA	2BR/1.5BA	3BR/1.5BA		
30.00%	0	0	0	0	0	0.0%	
50.00%	12	1	57	21	91	100.0%	
60.00%	0	0	0	0	0	0.0%	
70.00%	0	0	0	0	0	0.0%	
Market	0	0	0	0	0	0.0%	
Total Units	12	1	57	21	91	50.00%	
%	0.0%	63.3%	23.3%	0.0%	0.0%		
Sq. Ft./Unit	NA	Na	Na	Na	0	\$ psf	
Total Resid Sq Ft	NA	0	0	0	0	0	
Related Residential Sq. Ft.							
Community Center					NA		
Library					NA		
Laundry					NA		
Maintenance					NA		
Balconies +Circulation					NA		
Total Square Feet					NA	sq. ft.	

Public cost per bedroom 75,248

DEBT FINANCING ASSUMPTIONS

CONSTRUCTION LOAN:		
Construction Loan Interest Rate		6.625%
Credit Enhancement		0.85%
PERMANENT LOAN:		
Permanent Loan Rate		6.125%
Permanent Loan Constant		7.36%
Loan Points and Fees		0.50%
Debt Service Coverage Ratio		1.15
Loan Underwriting Term (Years)		30
Maximum Loan to Value Ratio		80.00%
Capitalization Rate		5.50%
Project Value (NOI/Cap Rate)		4,665,344
Maximum Loan to Cost Ratio		100.00%
Cash Available for Debt Service (NOI)		257,694
Loan to Value Ratio (restricted)	NA	
Permanent Loan		3,073,264
Annual Payment		224,082
Actual DSC		1.150
OTHER DEBT/LOANS:		
Interest Rate	Redev'l Loan	Other Loan
	3.00%	0.00%
Loan Points and Fees	0.000%	0.000%
Loan Term (Years)	55	0

TAX CREDIT FINANCING ASSUMPTIONS

Credit Year		2008
Federal Tax Credit Rate		3.46%
State Tax Credit Rate		0.00%
Difficult to Develop %		130.00%
Applicable Fraction		100.00%
Adjusted Eligible Basis		13,213,176
Annual Tax Credits		457,176
Investor Yield on 99% of Total Credit Allocation		98.00%
Gross Investor Contribution to Lower Tier		7,211,492
Deferred Pay-In on Tax Credit Equity		0
TCAC Actual Points		
TCAC Possible Points		
Tiebreaker: Tax Credits per Bedroom		

OTHER ASSUMPTIONS

Property Taxes:		
Tax Rate		1.25%
Existing Property Basis (per unit)		0
New Unit Basis (per unit)		
Ground Lease:		
Return on Ground Lease	0	0.00%
Inflation Indexes:		
Income Inflation		3.00%
Expense Inflation		3.00%
Real Estate Tax Inflation		2.00%

HUD INCOME GUIDELINES/UTIL ALLOWANCE/BASIS LIMITS

For: **San Diego County**

as of:	06/27/05	March 2007	March 2007	CTCAC
Family Size	Median Income	Utility Allowance	Basis Limits	
1 Person	48,300			
2 Person	55,200			
3 Person	62,100	Studio	20	90,256
4 Person	69,000	1-BR	28	104,070
5 Person	74,500	2-BR	35	125,509
6 Person	80,000	3-BR	43	160,652
7 Person	85,600	4-BR	55	178,973
8 Person	91,100			

PARTNER ALLOCATIONS

	Operations	Sale
General Partner	0.01%	0.01%
Limited Partner A	99.990%	99.99%
Limited Partner B	0.00%	0.00%

1 RESOLUTION NO. _____

2 A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
3 OCEANSIDE, CALIFORNIA, APPROVING THE ISSUANCE,
4 SALE AND DELIVERY BY THE CITY OR THE COMMUNITY
5 DEVELOPMENT COMMISSION OF THE CITY OF
6 OCEANSIDE OF MULTIFAMILY RENTAL HOUSING
7 REVENUE BONDS FOR THE ACQUISITION AND
8 REHABILITATION OF THE COUNTRY CLUB APARTMENTS

9 WHEREAS, Wakeland Housing Development Corporation, a California nonprofit
10 public benefit corporation (“WHDC”) has requested the City to assist WHDC, or a related
11 entity, by providing financing for the acquisition and rehabilitation of an existing 91-unit
12 multifamily rental housing project known as the Country Club Apartments (the “Project”)
13 located at 201 Country Club Lane in the City of Oceanside, California, by approving the
14 issuance by the City or the Community Development Commission of the City of Oceanside
15 (the “Commission”) of multifamily housing revenue bonds (the “Bonds”); and

16 WHEREAS, pursuant to Section 147(f) of the Internal Revenue Code of 1986, as
17 amended (the “Code”), the Bonds are required to be approved, following a public hearing, by
18 an elected representative or representatives of the governmental unit having jurisdiction over
19 the area in which the Project is located; and

20 WHEREAS, the Project is located wholly within the geographic jurisdiction of the City;
21 and

22 WHEREAS, the City Council is the elected legislative body of the City; and

23 WHEREAS, the City has caused a notice to appear in the North County Times, which is
24 a newspaper of general circulation in the City, at least 14 days prior to the date hereof, to the
25 effect that a public hearing would be held by the City Council on January 9, 2008, regarding the
26 issuance of the Bonds by the City or the Commission; and

27 WHEREAS, on January 9, 2008, the City Council held said public hearing, at which
28 time an opportunity was provided to present arguments both for and against the issuance of the
Bonds.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of
Oceanside, California, as follows:

1 SECTION 1. The City Council does hereby find and declare that the above recitals are
2 true and correct.

3 SECTION 2. Pursuant to Section 147(f) of the Code, the City Council hereby approves
4 the issuance of the Bonds by the City or the Commission in one or more series, in an aggregate
5 principal amount not to exceed \$12,500,000 to finance the acquisition and renovation of the
6 Project. It is the purpose and intent of the City Council that this Resolution constitutes
7 approval of the issuance of the Bonds by the applicable elected representative of the
8 governmental unit having jurisdiction over the area in which the Project is located, in
9 accordance with said Section 147(f).

10 SECTION 3. The City Council hereby confirms that it is appropriate for either the City
11 or the Commission to issue the Bonds to finance the acquisition and renovation of the Project.

12 SECTION 4. This Resolution shall take effect from and after its adoption.

13 PASSED AND ADOPTED by the City Council of the City of Oceanside, California this
14 _____ day of _____, 2008, by the following vote:

15
16 AYES:

17 NAYS:

18 ABSENT:

19 ABSTAIN:

20
21 _____
22 MAYOR OF THE CITY OF OCEANSIDE

23 ATTEST

APPROVED AS TO FORM:

24
25 _____
26 CITY CLERK

Barbara Hamilton, ASST.

CITY ATTORNEY

27 A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OCEANSIDE, CALIFORNIA, APPROVING THE
28 ISSUANCE, SALE AND DELIVERY BY THE CITY OR THE COMMUNITY DEVELOPMENT COMMISSION OF
THE CITY OF OCEANSIDE OF MULTIFAMILY RENTAL HOUSING REVENUE BONDS FOR THE
ACQUISITION AND REHABILITATION OF THE COUNTRY CLUB APARTMENTS