

Folsom City Council Staff Report

MEETING DATE:	4/14/2020
AGENDA SECTION:	New Business
SUBJECT:	Resolution No. 10410 - A Resolution of the City of Folsom Approving an Affordable Housing Loan in the Amount of \$4,150,000 from the City's Housing Fund to Bidwell Place, LP, Authorizing the City Manager to Execute Loan Agreement and Related Documents, and Authorizing the use of Sewer Fee Credits for the Construction of 75 Affordable Housing Units at the Bidwell Place Multifamily Affordable Housing Development, and Appropriation of Funds
FROM:	Community Development Department

RECOMMENDATION / CITY COUNCIL ACTION

Move to Adopt Resolution No. 10410 - A Resolution of the City of Folsom Approving an Affordable Housing Loan in the Amount of \$4,150,000 from the City's Housing Fund to Bidwell Place, LP, Authorizing the City Manager to Execute Loan Agreement and Related Documents, and Authorizing the use of Sewer Fee Credits for the Construction of 75 Affordable Housing Units at the Bidwell Place Multifamily Affordable Housing Development, and Appropriation of Funds.

BACKGROUND / ISSUE

On January 21, 2017, the Planning Commission approved the **Bidwell Pointe** Mixed-Use project, which is comprised of 140 multifamily housing units, of which 75% are dedicated as income-restricted affordable housing and 25% are unrestricted market rate apartments. The 140-residential-unit project includes seven "live/work" flex units allowing for tenants to conduct business from their homes, a ±800 square-foot ground floor commercial component and consists of multiple three-story wood-frame buildings with tuck-under parking. The

Bidwell Pointe project was financed with 4% non-competitive tax credits, tax-exempt bonds, developer equity, and a \$5.3 million loan from City.

In late 2019, the City received a proposal from St. Anton Communities, Inc. seeking City-funding for a proposed 75-unit 100% affordable project to be known as the **Bidwell Place Project** (“Project”), which expands on the developer’s mixed-use Bidwell Pointe development. The 3.24-acre project site is located at 403 E. Bidwell Street. Access to site is through E. Bidwell Street and there is a planned pedestrian pathway connecting the proposed Bidwell Place project to the Bidwell Pointe development. In addition to the proposed affordable residential units, the Project includes demolishing an approximately 8,860-square-foot portion of the existing commercial building located on the project site. Note: The developer has executed an agreement with the existing tenant, Bank of America, for Bank of America to remain a tenant during and after construction of the Bidwell Place project.

On March 18, 2020, the Planning Commission was scheduled to consider the design review application for the Bidwell Place project. However, the meeting was cancelled in response to the COVID-19 public health emergency and will be rescheduled for a future Planning Commission meeting as soon as practicable. Because the Bidwell Place project does not require any land use entitlement (land use is allowed by right), design review approval is not required prior to applying to the City Council for affordable housing assistance. Design review approval will be required prior to any building permit issuance and execution of a loan agreement with the City.

The proposed Bidwell Place project includes construction of three (3) three-story wood-framed apartment buildings that match the architectural style of the adjacent Bidwell Pointe development. The development includes nine studio units, 39 one-bedroom units, and 27 two-bedroom units. The individual apartment units range from 503-square feet (studio units) to 959-square feet (two-bedroom units). The Bidwell Place project provides a total of 167 parking spaces. Additional site improvements include underground utilities, trash enclosures, site lighting, and site landscaping.

In order to evaluate the developer’s funding request for Bidwell Place, the City engaged the services of TDA Consulting, Inc., a national provider of affordable housing consulting services, to provide technical assistance related to determining whether or not the Project’s proforma projections and City loan request were reasonable.

POLICY / RULE

Financial support of affordable housing projects is consistent with the City’s Housing Element Goal of facilitating affordable housing.

ANALYSIS

Affordable Housing Needs Analysis

The Bidwell Place project is a 75-unit 100% affordable multifamily, mixed use housing project on the 3.24-acre Bank of America site located on East Bidwell Street between Rumsey Way and Market Street (403 East Bidwell Street). The development includes studio, one, and two-bedroom floor plans, with a density of approximately 33.3 dwelling units per acre and will serve a mix of extremely low, very-low- and low-income households. The City's current Housing Element, which implements the City's "fair share" of the regional affordable housing needs allocated to the City by SACOG, calls for 1,218 very low-income units and 854 low-income units over the eight-year period from 2013 to 2021. This Project will provide 75 units toward meeting that goal.

Funding Analysis

In evaluating the applicant's request for an affordable housing loan in the amount of \$4.15 million to facilitate the development of a 75-unit affordable multifamily housing project, TDA conducted a detailed review of the developer's financial pro forma. The Project's assumptions, methodologies, and calculations were reviewed and evaluated for reasonableness and accuracy. In addition, secondary sources of information were consulted to confirm or validate the pro forma and additional information was requested of the Project developer to clarify or support specific items in the pro forma. TDA presented its analysis in a project review memo, which is attached to this staff report as Attachment #2.

The total project development costs are estimated to be approximately \$18.65 million with the majority of the funding assumed to come from a noncompetitive 4% Tax Credit Equity program and a permanent loan. The developer proposes that the City loan carry a three percent (3%) simple interest rate for a 35-year term. Furthermore, the developer proposes that the loan be repaid with an increasing share of residual cash flows, beginning in year 10 as indicated in the summary below, which is a common practice for repaying affordable housing loans.

Loan Terms

A term sheet outlining the conditions of the loan has been prepared and is included in the staff report (Attachment 3). Key specifics of this term sheet include:

1. Loan amount of \$4.15 million
2. 3% simple interest
3. 35-year repayment term
4. Repayment with increasing share of cash-flow as follows:
 - Years 0-10 = No payments
 - Year's 11-16 = 20% of residual cash flow
 - Year's 17-20 = 50% of residual cash flow

Years 21-30 = 70% of residual cash flow

Years 31-35 = 95% of residual cash flow

5. At expiration of the loan term, 100% of the principal balance of the loan and all accrued interest will be due and payable.

“Residual cash flow” is defined in the attached Loan Term Sheet, Section 8 of this staff report.

The City loan will be in second place, behind the permanent construction loan. Staff recommends that the first commitment of dollars be tied to the developer receiving approval of the other sources of funding.

Overall, TDA’s in-depth analysis of the Project financial pro formas and Project details indicates that the requested \$4.15 million dollar loan is reasonable. In addition, it is important to note that the per-unit cost for the City loan is \$55,333 per unit, which is comparable to the other affordable housing projects that have received financial assistance from the City: Bidwell Pointe project (\$53,000 per unit), Forestwood Apartment project (approximately \$54,545 per unit) and the Granite City Apartment project (approximately \$51,000 per unit). As such, the per-unit cost for the Bidwell Pointe project appears reasonable and is supported by staff.

Sewer Fee Credits

Concurrent with the requested affordable housing loan for the Bidwell Pointe project, staff is also recommending that the City Council authorize up to 60 sewer fee credits, which will reduce the developer’s construction cost and reduce the needed financial subsidy. Sewer credits are one of the City’s key economic development incentives and are used to reduce the costs of Sacramento Regional County Sanitation District (SRCSD) sewer connection fees in “new” and “infill” areas. The aim of this program is to help attract new business to Folsom as well as assist with the development of affordable housing and infill transit-oriented developments in the community by awarding SRCSD sewer connection credits to eligible projects. Sufficient credits are available in the program for this Project. As the Bidwell Place project meets the eligibility criteria, staff recommends approving up to 60 sewer fee credits for this Project.

Development Impact Fee Deferral

The developer has also requested deferral of City-imposed development impact fees (development impact fees from non-City agencies remain payable unless deferred by the imposing agency). Staff supports the developer’s request to defer the Project’s development impact fees under Chapter 16.60 of the Folsom Municipal Code, which allows the City Council to approve deferral of City-imposed development impacts fees not to exceed 75% of the total amount of the impact fees applicable to low income and/or very low income units in a “qualified residential project”. In order to be a “qualified residential project” under Chapter 16.60, the residential development project must have all required discretionary

development approvals and entitlements and include at least 10% of its total units affordable to very low income households, and at least 30% of its units affordable to low income households. The entire Bidwell Place project is a “qualified residential project”.

The total amount of City-imposed development impact fees applicable to the Bidwell Place project is approximately \$1,252,502.30, and 75% of that amount (equals \$939,376.73) is eligible for deferral. Pursuant to Section 16.60.030 and 16.60.040(F), the maximum fee deferral period is 15 months from the date of building permit issuance, and the deferred fees are due and payable upon the close of permanent loan financing or upon the expiration of the maximum fee deferral period, whichever is earlier. The processing and the deferral of development impact fees will comply with the requirements of Chapter 16.60 of the Folsom Municipal Code, and a development impact fee deferral agreement satisfactory to the City Attorney will be required in order to secure repayment of the deferred fees.

FINANCIAL IMPACT

Funding for the requested affordable housing loan for this project is available from the City’s Housing Fund (Fund 238) and is made up of \$150,000 of cash on hand and \$4,000,000 of bond proceeds from the issuance of City of Folsom Redevelopment Agency 2011B Housing bonds. An appropriation will be required in the amount of \$4,150,000. This funding source does not impact the City’s General Fund.

The above-identified funding will only be provided upon proof, satisfactory to the City, that the Developer has financing commitments from all other sources of project financing necessary to fund the Project including, but not limited to, an award from the Tax Credit Allocation Committee.

ENVIRONMENTAL REVIEW

The project is exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15061(b)(3)(Review for Exemption) of the CEQA Guidelines.

ATTACHMENTS

1. Resoluitiou No. 10410 - A Resolution of the City of Folsom Approving an Affordable Housing Loan in the Amount of \$4,150,000 from the City’s Housing Fund to Bidwell Place, LP, Authorizing the City Manager to Execute Loan Agreement and Related Documents, and Authorizing the Use of Sewer Fee Credits for the Constructiou of 75 Affordable Housing Units at the Bidwell Place Multifamily Affordable Housing Development, and Appropriation of Funds
2. TDA Memorandum (Financial Review of The Bidwell Place Project)
3. Loan Term Sheet
4. Site Plan and Project Rendering

Submitted,

A handwritten signature in blue ink, appearing to read "Pam Johns", followed by a long horizontal flourish.

Pam Johns, Community Development Director

ATTACHMENT 1

Resolution No. 10410 - A Resolution of the City of Folsom
Approving an Affordable Housing Loan in the Amount of
\$4,150,000 from the City's Housing Fund to Bidwell Place, LP,
Authorizing the City Manager to Execute Loan Agreement and
Related Documents, and Authorizing the Use of Sewer Fee Credits
for the Construction of 75 Affordable Housing Units at the Bidwell
Place Multifamily Affordable Housing Development, and
Appropriation of Funds

RESOLUTION NO. 10410

A RESOLUTION OF THE CITY OF FOLSOM APPROVING AN AFFORDABLE HOUSING LOAN IN THE AMOUNT OF \$4,150,000 FROM THE CITY'S HOUSING FUND TO BIDWELL PLACE, LP, AUTHORIZING THE CITY MANAGER TO EXECUTE LOAN AGREEMENT AND RELATED DOCUMENTS, AND AUTHORIZING THE USE OF SEWER FEE CREDITS FOR THE CONSTRUCTION OF 75 AFFORDABLE HOUSING UNITS AT THE BIDWELL PLACE MULTIFAMILY AFFORDABLE HOUSING DEVELOPMENT PROJECT, AND APPROPRIATION OF FUNDS

WHEREAS, the developer of the proposed Bidwell Place project, located on East Bidwell Street between Rumsey Way and Market Street (403 East Bidwell Street), is in the process of securing the majority of funding necessary to build the 75-unit multifamily 100% affordable housing project in which units will be affordable to extremely-low, very-low and low income households; and

WHEREAS, the developer has requested an affordable housing loan from the City of Folsom in the amount of \$4,150,000 in order to assist with project financing; and

WHEREAS, providing financial assistance to affordable housing projects is consistent with the Goal H-3: Facilitating Affordable Housing in the City's Housing Element; and

WHEREAS, the request for an affordable housing loan of \$4,150,000 is appropriate given the project's costs and development expenses; and

WHEREAS, funding for the requested affordable housing loan is available from the City's Housing Fund (Fund 238); however, an appropriation will be required; and

WHEREAS, the term of the affordable housing loan will be 35 years at three percent simple annual interest, to be repaid with increasing shares of residual cash flow to be generated from the project (Years 0-10 = No payments, Years 11-16 = 20% of available cash flow, Years 17-20 = 50% of available cash flow, Years 21-30 = 70% of available cash flow, and Years 31-35 = 95% of available cash flow), with a lump sum of unpaid principal and interest due and payable on the 35th year; and

WHEREAS, receipt of all loan repayments will be deposited into the City's Housing Fund (Fund 238) and will be used to provide future assistance for affordable housing; and

WHEREAS, the City's commitment to provide the requested affordable housing loan to the project will help the project qualify and compete for additional financing from the Tax Credit Allocation Committee program; and

WHEREAS, the City desires to grant up to 60 sewer fee credits to the Bidwell Place project under the Sacramento Regional County Sanitation District sewer fee credit guidelines for

affordable housing projects.

NOW, THEREFORE BE IT RESOLVED THAT the City of Folsom does hereby approve an affordable housing loan, in the amount of \$4,150,000, to Bidwell Place, LP, to construct the 75-unit affordable multifamily project known as the Bidwell Place, located on East Bidwell Street between Rumsey Way and Market Street (403 East Bidwell Street), subject to the developer entering into an affordable housing loan agreement in a form acceptable to the City Attorney.

BE IT FURTHER RESOLVED to approve deferral of up to 75% of city imposed development impact fee applicable to the Bidwell Place project for up to 15 months from the date of building permit issuance, subject to developer entering into a development impact fee deferral agreement acceptable to the City Attorney.

BE IT FURTHER RESOLVED that the City Manager is authorized to execute an affordable housing loan agreement, and other related documents, consistent with and in furtherance of this Resolution.

BE IT FURTHER RESOLVED that the Finance Director is directed to appropriate \$4,150,000 from the City's Housing Fund (Fund 238) for purpose of providing the affordable housing loan for the construction of the Bidwell Place project.

BE IT FURTHER RESOLVED that the City Manager is authorized to approve up to 60 sewer fee credits for the Bidwell Pointe project under the Sacramento Regional County Sanitation District sewer fee credit guidelines for affordable housing projects.

PASSED AND ADOPTED this 14th day of April 2020 by the following vote, to wit:

AYES: Council Member(s):
NOES: Council Member(s):
ABSENT: Council Member(s):
ABSTAIN: Council Member(s):

Sarah Aquino, MAYOR

ATTEST:

Christa Freemantle, CITY CLERK

ATTACHMENT 2
TDA Memorandum
(Financial Review of The Bidwell Place Project)

BIDWELL PHASE II – PRELIMINARY PROJECT REVIEW

Date: March 19, 2020

To: Stephanie Traylor Henry, Senior Planner, City of Folsom

From: Stephen Lathom, TDA Consulting
Peter Hughes, PZ Hughes & Associates



BACKGROUND: The City of Folsom (City) has engaged TDA Consulting, Inc. (TDA) to provide technical assistance related to the City’s administration of affordable housing funds. As part of TDA’s engagement with the City, we have reviewed information submitted by St. Anton Communities (St. Anton) in support of Bidwell Place (Bidwell), a proposed 75-unit multifamily affordable housing development, in an effort to develop an opinion on the reasonableness of St. Anton’s request for a \$4,150,000 investment of City affordable housing funds. This preliminary project review seeks to determine whether or not the current proforma projections are commercially reasonable in the context of the general market for affordable multifamily rental housing developed by employing a combination of debt, equity generated by the syndication of Low Income Housing Tax Credits (LIHTC), and gap funding from other state/local government sources.

It should be noted that at this stage, TDA’s review cannot be classified as “underwriting” of the Bidwell proposal. Underwriting would require the availability of substantially more information than is currently available, but this is not uncommon since developers are unlikely to invest in predevelopment costs ranging from market studies to architectural plans/specifications to other professional reports until their project concept has received conditional support for the City’s requested investment. As a result, TDA’s review is primarily based on whether or not St. Anton’s proforma and supporting documentation (e.g., letters of intent for financing, equity pricing, etc.), as submitted and taken largely at face value, are within market norms and likely to be achievable.

As part of our review, TDA transferred St. Anton’s proforma into an in-house format we use in similar engagements and for our underwriting training courses. Ensuring that bottom line figures (e.g. total operating and development costs, long-term cash flow projections, etc.) were consistent between the this format and St. Anton’s own financial projections helps validate the integrity and structure of the applicant’s proforma (sometimes with small variances due to differences in rounding or the like) and gives us the ability to more easily test the impact on the total project gap when considering alternative structuring assumptions (e.g. changes in DCR or interest rates and terms) and to evaluate the project’s ongoing viability by stress testing other assumptions (e.g. inflation or vacancy rates).

PROJECT SUMMARY: Bidwell is a proposed 75-unit, 100% affordable multifamily rental development to be located at 403 East Bidwell Street, Folsom, California, 95630 and will be comprised of nine (9) studio/one-bathroom units at 408 SF, 36 one-bedroom/ one-bathroom units at 621 SF, three (3) one-bedroom/one-bathroom units at 650 SF, and 27 two-bedroom/two-bathroom units at 892 SF. St. Anton intends to use LIHTC’s income averaging option whereby the average project unit must serve tenants at or below 60% AMI while some units allow tenants up to 80% AMI. To do so, they will designate four (4) units at 30% AMI, four (4) units at 50% AMI, 61 units at 60% AMI, and six (6) units at 80% AMI.¹

¹ See the “Mixed Income Pool” Alternative discussion later in the report for an alternative income targeting approach.

The project site is located in close proximity to multiple amenities. A grocery store, several banks/credit unions, a pharmacy, gas stations, and other neighborhood retail, entertainment and dining are all located within ½ mile radius from the site. The nearest public transportation stop is less than ¼ mile from Bidwell.

FINANCIAL REVIEW: While projects such as Bidwell are highly complex – taking advantage of multiple state, federal, and local programs intended to help provide housing at below-market rates that are (more) affordable to low-income tenants (as outlined above) – the initial financial evaluation can be distilled into five relatively simple questions:

1. Who does the project seek to serve, and what rents can, and will they pay given both regulatory requirements and market realities? (Revenue)
2. What will it cost to operate the project once built, including the need to set aside reserves for future capital repairs? (Operating Budget)
3. Will the project remain viable over time? (Long Term Proforma/Cash Flow)
4. What will it cost to develop the project? (Development Costs)
5. What sources are available? (Sources)

REVENUE: St. Anton currently projects rents for all units at +/-5% above the gross 2019 regulatory limits for LIHTC projects (established by limiting rent to 30% of XX% AMI based on imputed occupancy of 1.5 persons per bedroom). St. Anton's proforma indicates that this is to account for a forthcoming increase in the LIHTC rent limits for 2020. While somewhat speculative, the actual 2020 income and rent limits will be in place prior to the project's closing and can be re-validated at that point. These projections also include allowances for tenant-paid utilities of \$70/one-bedroom, \$78/two-bedroom, and \$100/three-bedroom unit calculated using the Sacramento Housing and Redevelopment Agency (SHRA) utility model schedule. St. Anton is also projecting \$231/unit/year in miscellaneous income (laundry, NSF, late fees, etc.) which is within our typical underwriting practice of limiting such revenue to no more than \$250/unit/year.

Vacancy is projected at 5% annually which is standard in California markets. This is supported by both the generally tight regional market for affordable multifamily rental housing and the fact that St. Anton's most recent development, Bidwell Pointe (aka Bidwell Phase I) is located less than 1/5 mile from Bidwell and is currently running at a 2% vacancy rate having received a certificate of occupancy less than 12 months ago.

OPERATING COSTS: While the operating expense projections provided by St. Anton are very clearly "early stage" numbers (i.e., limited chart of accounts, no current line-item expenses for repairs and maintenance, all budget numbers rounded to the nearest hundred, etc.), there is limited cause for concern for several reasons. First, St. Anton's property manager is an affiliated entity – St. Anton Multifamily – which affords some operating efficiencies that are otherwise difficult to obtain when employing a third-party property management firm. As an example, the property management fee for Bidwell is projected at 3%, while the industry standard is normally closer to 5%.

Second, though St. Anton's operating expense projection of \$4,529/unit/year falls \$271/unit short of the CTCAC required *minimum* of \$4,800/unit/year for non-elevator, multifamily buildings, CTCAC policy allows for a 15% reduction in operating expense budgeting through a waiver request process that requires St. Anton to submit letters of support from both banking

(debt) and investor (equity) partners consenting to the proposed budget. St. Anton applied for and was granted this waiver for their recently completed Bidwell Pointe project and is planning the same for this project.

Finally, St. Anton's projections compare very favorably with several benchmarks for operating expense trends outlined in a Novogradac & Company study of LIHTC properties nationwide.² For example, 2017 operating expenses for new construction LIHTC properties were \$4,861/unit, for low-rise properties were \$4,904/unit, and for properties in California were \$5,244/unit. Yet, as noted below, even using the TCAC minimum standard (i.e. without a waiver), the project remains viable within industry norms.

LONG TERM PROFORMA/CASH FLOW: Bidwell's 20-year cashflow projection is both viable and sustainable. Revenues are projected to grow at 2% and operating expenses at 3% – both standard metrics for new construction LIHTC developments. As submitted, debt service coverage is 1.15 in year-one, 1.30 in year-ten, and 1.46 in year-twenty. If we "stress" Bidwell by including a placeholder for additional operating expenses of \$271/unit (i.e., to meet the CTCAC non-waiver minimum), debt service ratios decline but still meet what we would consider the low-end for industry standard threshold underwriting criteria – 1.11 in year-one, 1.23 in year-ten, and 1.37 in year-twenty.

Additionally, and perhaps most importantly from the City's perspective, the 20-year cashflow projects just more than \$1.55M in "free" surplus cash after the repayment of the entire deferred developer fee. This would, if accurate, allow for at least the partial repayment of the City's loan (depending on the City's loan terms and repayment provisions) which could then be deployed as a gap financing source into future affordable housing projects

DEVELOPMENT COSTS: Total development costs (outlined in the table below) are just short of \$18.65M or ~\$250K/unit. These projections are significantly lower than the statewide average for new construction 4% LIHTC transactions. Here again, the fact that St. Anton is vertically integrated and employs an identity of interest general contractor – Hurley Contractors (Hurley) – along with its reportedly good track record from the City's standpoint on its prior project – substantially mitigates TDA's concern about cost projections. According to St. Anton development staff, Hurley builds exclusively for St. Anton; employing the same labor force and subcontractors for all multifamily projects. These factors allow for economies of scale across projects and, when staged in geographical and temporal proximity to other St. Anton projects (e.g., Bidwell Pointe) for procurement and staging efficiencies that would otherwise add costs. In addition to these factors, St. Anton notes that in its perspective the City has a progressive stance on limiting impact fees for affordable housing projects – further driving down total costs.

FUNDING SOURCES: St. Anton proposes an overall permanent capital mix (outlined in the table below) which includes a tax-exempt bond first mortgage of \$7.4M, equity generated from the sale of LIHTC of ~\$6.33M, the City's loan of affordable housing funds of \$4.15M, net operating income during lease-up of \$125K, deferred interest of \$249K, and a deferred developer fee of ~\$391K. While non-binding (due to the early stage of the development process), St. Anton has provided letters of interest from Bank of America for both the construction/permanent debt as well as the syndication of 4% LIHTC.

² Novogradac 2019 Multifamily Rental Housing Operating Expense Report: Survey and Analysis of LIHTC Properties.

The current projection for LIHTC pricing at \$1.01/credit is strong given the national average as currently published by Novogradac is \$0.94/credit. This is indicative of both a highly competitive LIHTC syndication market in California and, by extension, strong demand for the delivery of affordable housing units in the Sacramento MSA of which the City of Folsom is a part.

Further, the portion of St. Anton’s developer fee that is deferred represents 21% of the total developer fee. Based on current 20-year cash flow projections, this portion of deferred fee will be fully repaid during the eighth year of stabilized operations which is within normal expectations of equity investors. This is a positive indication that St. Anton is committed to the long-term operational and programmatic viability of Bidwell.

Development Costs	Total	Per Unit	% of Total	Per Sq. Ft.
Acquisition	\$2,250,000	\$30,000	12.1%	
Site Work and Construction	\$9,643,745	\$128,583	51.7%	\$185.34
Soft Costs	\$2,713,913	\$36,186	14.6%	
Financing Costs	\$1,731,684	\$23,089	9.3%	
Reserves & Start Up	\$408,204	\$5,443	2.2%	
Developer Fee	\$1,900,000	\$25,333	10.2%	
Total Development Costs	\$18,647,546	\$248,634	100.0%	\$358.38

Sources	Total	Per Unit	% of Total
Mortgage	\$7,400,000	\$98,667	39.7%
LIHTC Equity	\$6,332,078	\$84,428	34.0%
City of Folsom Loan	\$4,150,000	\$55,333	22.3%
Lease-Up NOI	\$125,480	\$1,673	0.7%
Deferred Interest	\$249,000	\$3,320	1.3%
Deferred Developer Fee	\$390,988	\$5,213	2.1%
Total Sources	\$18,647,546	\$248,634	100.0%

Gap (or Surplus)	(\$0)	(\$0)	0.0%
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“MIXED INCOME POOL” ALTERNATIVE: Following its initial submission to the City and TDA, which forms the basis for the project and financial descriptions in the report thus far, St. Anton has also proposed an alternative financial model. The material difference between the original proposal (under the “General Pool” competition for tax-exempt debt from the California Debt Limit Allocation Committee) and the second option (under the “Mixed Income Pool”) is in the unit mix of income/rent limitations. The impetus is the apparent likelihood that the Mixed Income Pool may be less competitive than the General Pool, thereby increasing the chances that Bidwell is selected for tax-exempt financing and the resulting 4% LIHTC that come largely by right with such debt.

In the initial General Pool configuration, as noted in the Project Description section above, the project would include four (4) units at 30% AMI, four (4) units at 50% AMI, 61 units at 60% AMI, and six (6) units at 80% AMI. The average unit’s income and rent target would be at 59.19% AMI. Alternatively, the Mixed Income Pool configuration would still designate four (4) units at 30% AMI but include 33 units at 50% AMI and 38 units at 70% AMI. In this iteration, the average unit would be restricted at 58.92% AMI.

We have evaluated St. Anton's projections for each configuration, and in our judgement the differences are not material to the evaluation of financial feasibility. The Mixed Income Pool configuration would produce marginally less gross rent potential (on the order of less than 1%). That shift cascades through the proforma in subtle ways. Reduced rent potential, all else being equal, reduces net operating income and therefore supportable first mortgage debt. That variation, however, is also quite muted and would be offset by increasing the deferred developer fee.

Given the rapid lease up of St. Anton's last project and the tightness of California's rental markets in general, it is reasonable to assume that either configuration will quickly lease up and stabilize. Consequently, at this stage the two potential unit mix configurations are interchangeable. The financial variation in the sources and uses is muted and manageable.

ANALYSIS & CONCLUSIONS: Based upon our review of the proforma projections and supporting documents provided by St. Anton we believe the Bidwell project, while still accounting for the preliminary nature of this review, is generally structured within broadly accepted industry norms for multifamily affordable housing transactions. St. Anton's successful track record with previous multifamily affordable housing developments provides an additional measure of confidence in their proposal. Likewise, concerns we might otherwise have about operating expenses and development costs projected at the lower end of industry averages in the State of California are, in our opinion, substantially mitigated by the somewhat soft nature of the commitment the City would be providing at this stage. A preliminary award of local affordable housing funds will allow St. Anton to proceed with securing the other firm financing commitments needed and proceeding to invest time, effort, and working capital in the additional due diligence that will be needed to validate the achievability of these figures. Put another way, unless St. Anton can deliver, the City will not close and therefore is not putting any of its funding at risk.

IMPACT OF CORONAVIRUS PANDEMIC: Finally, we note that during the course of TDA's review of this project the novel coronavirus (COVID-19) has emerged as a pandemic and is rapidly spreading within the United States. The near term social and economic impacts of the disease are already substantial, and the longer-term effects are likely to be far reaching. It would be hubris on our part to predict, let alone with any degree of precision, what the midterm and long-term impacts will be on the economic feasibility of the project. Accordingly, the analysis within the report is based on the admittedly hypothetical scenario that the macroeconomic environment (e.g. interest rates, income distributions, labor costs, etc.) will quickly return to "pre-virus" conditions. We note, however, that no matter the capital and development financing context that may make construction challenging in the upcoming months, there is little doubt given the preexisting shortage of affordable housing that the need for safe, decent, affordable housing will continue and likely increase.

ATTACHMENT 3
Loan Term Sheet

Loan Term Sheet
Bidwell Place Apartments
City of Folsom
March 19, 2020

1. Lender: City of Folsom, a municipal corporation
2. Borrower: Bidwell Place, LP, a California limited partnership – To Be Formed
 - i. General Partners
 1. St. Anton Bidwell Place, LLC (Co-GP) – To Be Formed
 2. PacH Anton South Holdings, LLC (Managing GP) (Parent Company: Pacific Housing, Inc.)
 3. TBD – Tax Credit Investor
3. Loan Amount: \$4,150,000
4. Purpose: Construction and operation of a 75-unit rental housing community of which 100% of the units will be affordable and deed restricted for 55 years. The planned affordability mix varies between 30% and 80% AMI.
5. Timing of Funding: The City's loan will be funded in conjunction with the primary construction loan.
6. Interest Rate: 3% per annum
7. Annual Payments: Repayment of the principal amount of the loan together with accrued interest will be as follows:
 - a. No principal and interest payment for the first ten (10) years after the project receives a certificate of occupancy,
 - b. To the extent "Residual Cash Flow" exists, principal and interest payments equal to twenty percent (20%) of "Residual Cash Flow" beginning on April 1st following the tenth (10th) anniversary of the date the project received a certificate of occupancy for a period of six (6) years,
 - c. To the extent "Residual Cash Flow" exists, principal and interest payments equal to fifty percent (50%) of "Residual Cash Flow" beginning on April 1st following the sixteenth (16th) anniversary of the date the project received a certificate of occupancy for a period of four (4) years,
 - d. To the extent "Residual Cash Flow" exists, principal and interest payments equal to seventy percent (70%) of "Residual Cash Flow" beginning on April 1st following the twentieth (20th) anniversary of the date the project received a certificate of occupancy for a period of ten (10) years
 - e. To the extent "Residual Cash Flow" exists, principal and interest payments equal to ninety-five percent (95%) of "Residual Cash Flow" beginning on April 1st following the thirtieth (30th) anniversary of the date the project received a certificate of occupancy until the loan is fully repaid
8. Residual Cash Flow: Residual Cash Flow is identified as all income generated by the project after:
 - a. Payment of typical operating expenses for the project, including:
 - i. Property management fee not to exceed fees which are standard in the industry

- ii. Advertising, legal, accounting, security, and other general office administration expenses
 - iii. Payroll, benefits, and payroll taxes
 - iv. All utilities
 - v. All repair and maintenance costs
 - vi. Property insurance
 - vii. Property taxes
- b. Replacement reserve replenishment: cash deposited into a reserve for capital replacements of project improvements in such reasonable amounts as are required by the project lenders and/or tax credit investor
 - c. Senior mortgage debt service
 - d. Payment of an Asset Management Fee anticipated to be in the amount of \$10,000 for the first year and escalating at no more than 3% per year thereafter
 - e. Payment of a Managing General Partner fee to the non-profit Managing General Partner for their management duties in the amount of 1% of the effective gross income generated by the affordable units capped at \$32,000 for the first year and an escalating cap at no more than 2% per year thereafter
 - f. Payment of any Deferred Developer Fee currently estimated to be \$568,135

These categories as listed above shall not materially change without written approval of the City for the purposes of calculating the annual payment.

- 9. Term: 35 years. Balance of loan will be due on sale.
- 10. Balloon Payment: At the expiration of the loan term, 100% of the principal balance of the loan and all accrued interest will be due.
- 11. Refinancing: In the event of refinancing, the City will subordinate to the new senior loan on substantially similar terms as the original financing, including a minimum requirement of a 1.15 Debt Service Coverage Ratio.
- 12. Conditions: The funding of the City loan is conditioned on the following:
 - a. The project has closed on all funding sources necessary to develop the project pursuant to the pro forma, including the construction loan and 4% tax credit equity and has secured the unconditional commitment of the permanent loan
 - b.
 - c. The Borrower has purchased fee ownership of the land (the developer currently holds fee simple title of the land)
 - d. In the event of cost overruns in development of the project, the Developer will defer as much of its estimated developer fee as IRS requirements permit prior to requesting any additional funding from the City.
- 13. Reporting: Borrower will provide the City with annual audited financial statements for the project demonstrating compliance with the formula for the distribution of residual cash flow.
- 14. Security: City's loan will be secured by a deed of trust junior to construction and permanent financing sources set forth. Notwithstanding, the deed restriction in favor of the City imposing affordability requirements must be recorded senior to all other liens and/or security instruments securing loans against

the project, including any deeds of trust otherwise senior to the City's deed of trust, and enforceable against all successors in interest to Owner. The City's deed restriction may be junior to the land use restriction agreement (LURA) or other similar instrument resulting from the award of state or federal Low-Income Housing Tax Credits.

ATTACHMENT 4
Site Plan and Project Rendering



Vicinity Map
N.T.S.

SHEET INDEX

ARCHITECTURE:

- A0.1 COVER SHEET
- A1.0 SITE PLAN
 - A1.1 FIRE APPARATUS ACCESS EXHIBIT
- A2.0 BUILDING ELEVATIONS
 - A2.1 BUILDING ELEVATIONS
 - A2.2 BUILDING ELEVATIONS
- A3.1 BUILDING PLANS
 - A3.2 BUILDING PLANS
- A5.1 ENLARGED PLANS - UNIT PLANS
- A6.1 RENDERINGS
 - A6.2 RENDERINGS
 - A6.3 RENDERINGS
- A7.1 MATERIAL BOARD

CIVIL:

- C1 PRELIMINARY GRADING AND DRAINAGE PLAN
- C2 PRELIMINARY UTILITY PLAN
- C3 PRELIMINARY DEMOLITION PLAN

LANDSCAPE:

- L1.0 CONSTRUCTION PLAN
- L1.1 PLANTING PLAN



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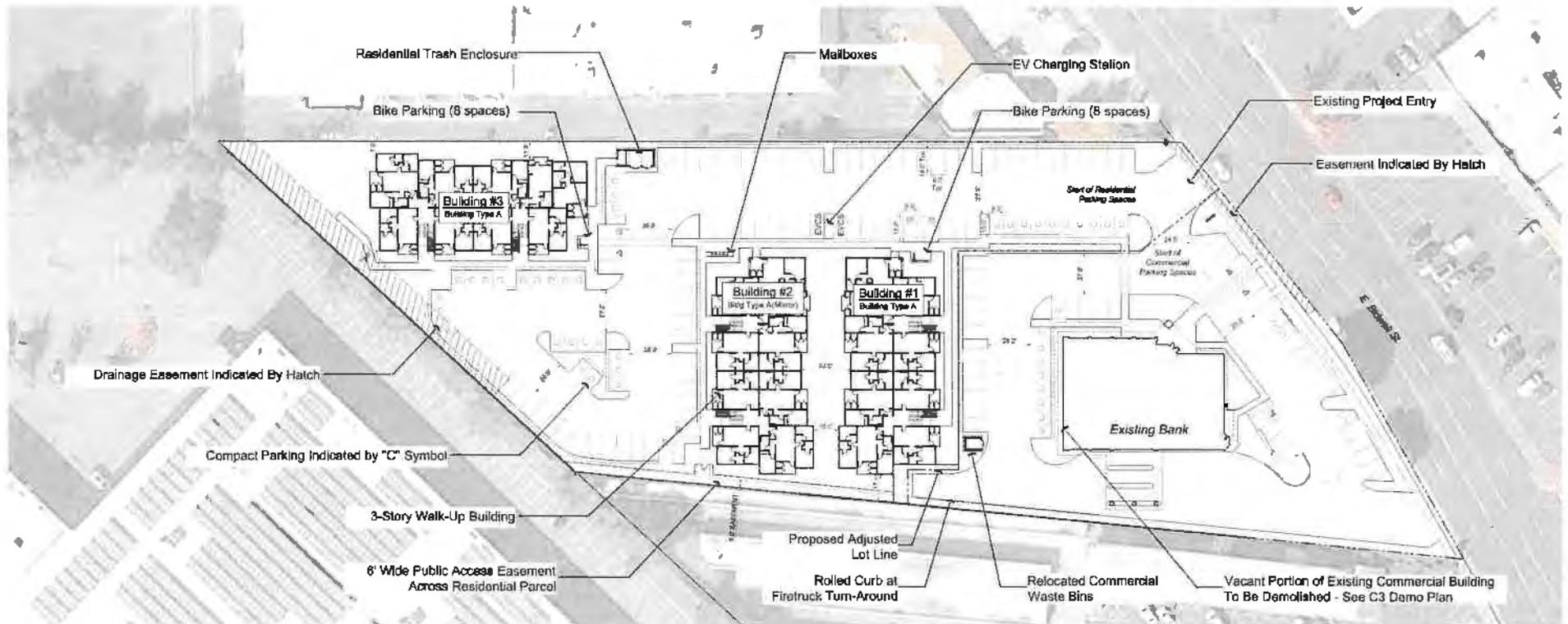
St. Anton Communities
1811 Street, Suite 200
Sacramento, CA 916 471 3000

BIDWELL PLACE
FOLSOM, CA # 2019 0786

CONCEPTUAL DESIGN
MARCH 9TH, 2020

COVER SHEET
SHEET INDEX

A0.1



Site Plan

Project Data

Address
403 E. Bidwell St., Folsom, CA 95630

Existing Land Use Designation
East Bidwell Corridor (EBC) Overlay

Gross Site Area ± 3.24 Acres
Unit Count 75 Units
Gross Res. Density 23.1 Units/ Acre

New Building Summary:

(3) Three-Story Construction Type VB Apartment Buildings

Unit Type:	Beds/Baths	DUs	Ratio
PD-1	Studio/1 Bath	0	12.0%
P1-1	1 Bed/1 Bath	36	48.0%
P1-2	1 Bed/1 Bath	3	4.0%
P2-1	2 Bed/2 Bath	27	36.0%
		75 Units	

Proposed Parking

Residential Parking:	Standard	Access	Total
Compact Open	34		34 spaces
Standard Open	78	06	84 spaces
Open (EV Charging)	2		02 spaces
			120 spaces
			1.60 space/DU

Commercial Parking:	Standard	Access	Total
Compact Open	12		12 spaces
Standard Open	32	3	35 spaces
			47 spaces

Bike Parking:	Req'd	Proposed
Class II	15 spaces	16 spaces
	1 space/ 5 units	



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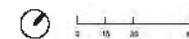


St. Anton Communities
1801 I Street, Suite 200
Sacramento, CA 95811-4711 3000



FOLSOM, CA # 2019-0766

CONCEPTUAL DESIGN
MARCH 9TH, 2019



SITE PLAN

A1.0