

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 21, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$11,000,000

Project Information:
Name: Indo Desert Palms Apartments
Project Address: 46575 Clinton Street
Project City, County, Zip Code: Indio, Riverside, 92201

Project Sponsor Information:
Name: Indio Family Housing Partners, LP (NEXUS Affordable Housing, Inc., and AHG Indio, LLC)
Principals: Tom Sibler, Karra Cappeluti and Jim Reynolds for NEXUS Affordable Housing, Inc.; James Silverwood for AHG Indio,
Property Management Company: Solari Enterprises, Inc.

Project Financing Information:
Bond Counsel: Quint & Thimmig LLP
Underwriter: Chase Bank, NA
Credit Enhancement Provider: Chase Bank, NA
Private Placement Purchaser: Prudential Affordable Mortgage Company, LLC/Freddie Mac
TEFRA Adopted Date: April 16, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 142, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is an existing 144-unit family development located in the City of Indio, County of Riverside that was originally constructed in 1995. The project has ten (10) two-story garden-style residential buildings, four (4) one-story garden-style residential buildings, a leasing office/laundry building, two (2) stand-alone laundry buildings and one (1) maintenance building. Other community amenities include on-site management, barbecue areas, open space, two playground areas, and a swimming pool. The project consists of eight (8) two-bedroom units, 80 three-bedroom units and 56 four-bedroom units. Of the 144 units, 142 will be restricted to households with incomes no greater than 60% Area Median Income (AMI) [29 @ 50% AMI and 113 @ 60% AMI]. The scope of rehabilitation will consist of grinding and adding a slurry coat to the exterior asphalt in the parking lot area; redesigning of landscape; rehabing the building envelope with patching; completed re-painting at the stucco areas; replacement of exterior windows and sliding glass doors; and installing a large Solar PV array system. Also, the interior unit rehabilitation will include, new flooring; replacement of cabinets and countertops; replacing of 70% of the water heaters; replacement of plumbing fixtures, lighting fixtures and all appliances. Construction is expected to being in November 2014 and completed by June 2015.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
20% (29 units) restricted to 50% or less of area median income households.
80% (113 units) restricted to 60% or less of area median income households.
Unit Mix: 2, 3 & 4 bedrooms

There will be no service amenities included in the proposed project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 19,188,400
Estimated Hard Costs per Unit: \$ 27,937 (\$3,967,000 /142 units)
Estimated per Unit Cost: \$ 135,130 (\$19,188,400 /142 units)
Allocation per Unit: \$ 77,465 (\$11,000,000 /142 units)
Allocation per Restricted Rental Unit: \$ 77,465 (\$11,000,000 /142 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 11,000,000	\$ 0
Taxable Bond Proceeds	\$ 0	\$ 10,815,000
Developer Equity	\$ 975,003	\$ 975,003
LIH Tax Credit Equity	\$ 6,133,824	\$ 6,318,824
Other (Oper. Cash Flow Yr 1 & Solar Tax Credit)	\$ 1,079,573	\$ 1,079,573
Total Sources	\$ 19,188,400	\$ 19,188,400

Uses of Funds:	
Acquisition/Land Purchase	\$ 9,600,000
Hard Construction Costs	\$ 3,967,000
Architect & Engineering Fees	\$ 295,000
Contractor Overhead & Profit	\$ 375,000
Developer Fee	\$ 2,237,400
Cost of Issuance	\$ 200,000
Capitalized Interest	\$ 570,000
Other Soft Costs (Marketing, etc.)	\$ 1,944,000
Total Uses	\$ 19,188,400

Description of Financial Structure and Bond Issuance:

The proposed project will be a private placement financial structure provided by both JPMorgan Chase Bank, NA for the tax-exempt construction loan in the amount of \$11,000,000 and Prudential Affordable Mortgage Company, LLC ("PAMC") for the permanent taxable financing in the amount of \$10,815,000. The construction period will be for a term of 18 months and the interest on the Bonds will be payable monthly, quarterly, or semi-annually. The tax-exempt interest rate shall be fixed for the term of the Bonds at 19 basis points in excess of the 12 month LIBOR rate at the time of closing. Again, the permanent loan will be a taxable instrument provided by PAMC. The term of the loan will be for 16 years with an amortization period of 35 years. The interest rate will be a fixed rate equal to the corresponding 10-year on-the-run United States Treasury Security plus the required Freddie Mac Spread that will depend on financial market conditions at the time of rate-lock. The interest will be calculated in accordance with Freddie Mac requirements. The Bonds will be issued by the California Statewide Communities Development Authority.

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: 63.5 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$11,000,000 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	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	5
Leveraging	10	10	10
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	6
Negative Points	-10	-10	0
Total Points	130	100	63.5

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.