

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: \$15,000,000

Project Information:
Name: Jefferson Townhomes and Cunningham Village Apartments
Project Address: 1693-1741 W. Jefferson Blvd., & 2300 Victoria Avenue
Project City, County, Zip Code: Los Angeles, Los Angeles, 90016

Project Sponsor Information:
Name: Jefferson Cunningham Community Partners, LP (AHDF-Jefferson Cunningham GP, LLC and WNC-Jefferson Cunningham GP, LLC)
Principals: Michael K. Moore, Perry G. Harenda and Brian D. Brooks for AHDF Jefferson Cunningham GP, LLC; Anand Kannan and Wilfred N. Cooper, Jr. for WNC-Jefferson Cunningham GP,
Property Management Company: Professional Property Management, LLC

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: California Bank & Trust
TEFRA Adopted Date: March 18, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 64, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family/Federally Assisted At-Risk

The proposed acquisition and rehabilitation scattered-site project consists of two existing multifamily properties, Jefferson Townhomes and Cunningham Village Apartments. Both projects are Federally Assisted At-Risk projects and consists of a total of 65 units (including a manager's unit). Jefferson Townhomes will have 30 project based Section 8 townhomes and Cunningham Village will have 35 units, of which, 30 are also Section 8 subsidized units. Both developments were originally constructed in 1985 and have uncovered parking and laundry rooms. All units, with the exception of the manager's unit, will be restricted to households with incomes no greater than 60% of the area median income. The Jefferson site contains 1.46 acres and consists of six 2-story townhome style buildings. The Cunningham site contains 1.24 acres and consists of four 2-story garden style buildings and one 2-story townhome style building. The scope of rehabilitation will include various repairs and replacements of many aspects of the sites' conditions that include thermal & moisture protection; repairs to finishes; replacement of doors and windows, signages, equipment, furnishings, mechanical & plumbing, water heaters, rooftop air handling units, electrical wiring devices, controls and lighting. The developer plans to start the renovation construction in July of 2014 with a projected market entry of January 2014.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
31% (20 units) restricted to 50% or less of area median income households.
69% (44 units) restricted to 60% or less of area median income households.
Unit Mix: 2, 3 & 4 bedrooms

There will be no service amenities provided for the proposed project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 19,709,790
Estimated Hard Costs per Unit: \$ 32,523 (\$2,081,440 /64 units)
Estimated per Unit Cost: \$ 307,965 (\$19,709,790 /64 units)
Allocation per Unit: \$ 234,375 (\$15,000,000 /64 units)
Allocation per Restricted Rental Unit: \$ 234,375 (\$15,000,000 /64 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 15,000,000	\$ 11,550,000
Taxable Bond Proceeds	\$ 1,737,277	\$ 0
Developer Equity	\$ 2,377,795	\$ 1,258,695
LIH Tax Credit Equity	\$ 0	\$ 6,306,377
Other (NOI/Capitalized Interest)	\$ 594,718	\$ 594,718
Total Sources	\$ 19,709,790	\$ 19,709,790

Uses of Funds:	
Acquisition/Land Purchase	\$ 12,200,000
Hard Construction Costs	\$ 2,081,440
Architect & Engineering Fees	\$ 105,000
Contractor Overhead & Profit	\$ 291,400
Developer Fee	\$ 2,377,795
Relocation	\$ 100,000
Cost of Issuance	\$ 884,822
Capitalized Interest	\$ 275,593
Other Soft Costs (Marketing, etc.)	\$ 1,393,740
Total Uses	\$ 19,709,790

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by California Bank & Trust (the "Bank"). The Bank has committed to providing both the construction and permanent bond loans. The construction period will be for a period of 18 months. During the construction period, the loan will be in the amount of \$15,000,000 with an expected interest rate of 3%. There will be one six month extension available during this construction phase. The loan amount during the permanent financing phase will be \$11,550,000 with a loan term of 18 years with a 35 year amortization period. During this phase, the interest rate will be a fixed interest rate underwritten at 4.70%. The issuer of the bonds will be 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: 76.9 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$15,000,000 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	20
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	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	6.9
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	110	76.9

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.