

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 16, 2011
Staff Report
*REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT*

Prepared by: Sarah Lester

Applicant: California Housing Finance Agency

Allocation Amount Requested:
Tax-exempt: \$4,750,000

Project Information:
Name: Silsby Gardens Apartments
Project Address: 200 North 9th Street
Project City, County, Zip Code: Blythe, Riverside, 92225

Project Sponsor Information:
Name: HPD Silsby Gardens, LP (National Housing Corporation, LP and HPD Silsby Gardens LLC (to be formed))
Principals: Gary M. Da Prato, Steven J. Margetic and Barry I. Pessin for National Housing Corporation, LP; Gary P. Downs, Kristoffer J. Kaufmann, Willian E. Rice and Douglas B. Day for HPD Silsby Gardens LLC (to be formed)

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Citibank, N.A. / Freddie Mac
Credit Enhancement Provider: Citibank, N.A. / Freddie Mac
Private Placement Purchaser: Not Applicable
TEFRA Hearing Date: Februray 9, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 50, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family/Federally Assisted At-Risk

The Proposed Project consists of the renovation of 50 existing affordable apartment units in Blythe, California. The property currently operates under the HUD Section 8 program and will be renovated using the LIHTC program. Following the renovations, the subject property will target households with incomes of up to 50% and 60% of Area Median Household Income and will continue to operate with the subsidy as well as operating under the LIHTC program. According to the information provided in the application, the property is currently 100% occupied with a two (2) year waiting list. The Project-based Section 8 Housing Assistance Payments (HAP) contract is expected to expire in August 2013. The rehabilitation of the project will be performed with the residents continuing to reside in their units. The scope of the rehabilitation work will upgrade both the interior and exterior of the apartments. Renovations are expected to begin in July 2011 and be completed in June 2012.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
10% (5 units) restricted to 50% or less of area median income households.
90% (45 units) restricted to 60% or less of area median income households.
Unit Mix: 2 & 3 bedrooms

The Proposed Project will preserve 50 income and rent restricted units that are at-risk of losing affordability restrictions under the HUD Section 8 Program. According to the information provided in the Application, the Project offers some of the largest two- and three-bedroom affordable units in the market.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	6,601,672	
Estimated Hard Costs per Unit:	\$	35,700	(\$1,785,000 /50 units)
Estimated per Unit Cost:	\$	132,033	(\$6,601,672 /50 units)
Allocation per Unit:	\$	95,000	(\$4,750,000 /50 units)
Allocation per Restricted Rental Unit:	\$	95,000	(\$4,750,000 /50 restricted units)

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Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 4,750,000	\$ 4,750,000
Deferred Developer Fee	\$ 0	\$ 262,306
LIH Tax Credit Equity	\$ 635,746	\$ 1,589,366
Total Sources	\$ 5,385,746	\$ 6,601,672
 Uses of Funds:		
Acquisition	\$ 2,495,000	
Rehabilitation Costs	\$ 2,063,460	
Architectural	\$ 40,000	
Survey & Engineering	\$ 14,000	
Contingency Costs	\$ 178,500	
Construction Period Expenses	\$ 169,940	
Permanent Financing Expenses	\$ 89,935	
Legal Fees	\$ 187,500	
Capitalized Reserves	\$ 324,600	
Reports & Studies	\$ 30,000	
Other (Marketing, etc)	\$ 256,432	
Developer Costs	\$ 752,305	
Total Uses	\$ 6,601,672	

Description of Financial Structure and Bond Issuance:

Citibank, N.A. will service the loan and provide a Freddie Mac credit enhancement and liquidity facility. The Credit Facility will provide credit enhancement and liquidity support for tax-exempt bonds to be issued by the California Housing Finance Agency. Citibank shall obtain a commitment from Freddie Mac in respect of the Credit Facility upon request of the Borrower. Upon the issuance of the bonds, Freddie Mac will issue its Credit Facility to support the Bonds. The proceeds of the Bonds will be used to fund the mortgage loan.

Analyst Comments:

N/A

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: 60 out of 128

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$4,750,000 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	10
Exceeding Minimum Income Restrictions:	35	15	25
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	10
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	8	8	0
Negative Points	-10	-10	0
Total Points	128	108	60

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.