

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 20, 2011
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$8,570,000

Project Information:
Name: Evergreen Apartments - 1801 & 1823 E. 68th Street
Project Address: 1801 E. 68th Street and 1823 E. 68th Street
Project City, County, Zip Code: Long Beach, Los Angeles, 90805

Project Sponsor Information:
Name: Evergreen Apartments, LP (Abode Communities)
Principals: Robin Hughes, Holly Benson and Rick Saperstein
Property Management Company: Abode Communities

Project Financing Information:
Bond Counsel: Quint & Thimmig LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citigroup Global Markets, Inc.
TEFRA Hearing Date: November 9, 2010

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 60, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is an Acquisition and Rehabilitation scattered site family project located in the City of Long Beach. It is comprised of three buildings, two located with one parcel between them and the third is approximately six (6) miles away from the other two. A separate application has been submitted for the third building. This application is for a 26-unit building located at 1801 E. 68th Street and a 36-unit building located at 1823 E. 68th Street. The project will serve a total of 60 low-income families earning between 50% and 60% of the area median income. The unit mix will be made up of 2- and 3-bedroom units. The rehabilitation will focus on the units, interior common spaces (laundry and community rooms), interior courtyards, and minor upgrades of the exteriors of the buildings. Rehabilitation is expected to begin in December 2011 and be completed by December 2012.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
55% (33 units) restricted to 50% or less of area median income households.
45% (27 units) restricted to 60% or less of area median income households.
Unit Mix: 2 & 3 bedrooms

The proposed project will contract with a bona fide service coordinator/social worker.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	16,417,554	
Estimated Hard Costs per Unit:	\$	66,940	(\$4,016,394 /60 units)
Estimated per Unit Cost:	\$	273,626	(\$16,417,554 /60 units)
Allocation per Unit:	\$	142,833	(\$8,570,000 /60 units)
Allocation per Restricted Rental Unit:	\$	142,833	(\$8,570,000 /60 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 8,570,000	\$ 2,600,402
Deferred Developer Fee	\$ 76	\$ 76
LIH Tax Credit Equity	\$ 394,124	\$ 4,948,130
Direct & Indirect Public Funds	\$ 0	\$ 2,083,346
Other (Seller ACH) Carryback Note, Def. Dev. Fee, Costs Def. during constr.)	\$ 7,453,354	\$ 6,785,600
Total Sources	\$ 16,417,554	\$ 16,417,554

Uses of Funds:	
Land Purchase	\$ 7,710,000
On & Off Site Costs	\$ 841,140
Hard Construction Costs	\$ 3,175,254
Architect & Engineering Fees	\$ 253,330
Contractor Overhead & Profit	\$ 636,468
Developer Fee	\$ 2,052,163
Relocation	\$ 231,000
Cost of Issuance	\$ 226,734
Capitalized Interest	\$ 388,856
Other Soft Costs	\$ 902,609
Total Uses	\$ 16,417,554

Description of Financial Structure and Bond Issuance:

The Project will be structured as a private placement transaction. Citigroup Global Capital on behalf of CITI will purchase the bonds directly. In a single transaction they will purchase the bonds for both project allocations: 1801-1823 E. 68th Street and 1528 Freeman Avenue for a combined total of \$11,200,000 (\$8,570,000 for this project and \$2,630,000 for the Freeman Avenue project). The bonds are anticipated to close on October 15, 2011. The bonds will be secured by a first deed of trust; they will be recourse to the borrower during construction and non-recourse upon conversion. The construction period bonds will be variable rate during construction (325 bps over SIFMA, plus 150 bps for the capitalized interest reserve); the permanent bonds will be fixed upon conversion (15 Year MMD + 2.90%, which is currently 6.50%) and will be amortized over 30 years, due and payable in year 16.

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:

62.2 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$8,570,000 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	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	4.2
Gross Rents	5	5	5
Large Family Units	5	5	2.5
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.5
Service Amenities	10	10	5
New Construction	10	10	0
Sustainable Building Methods	8	8	3
Negative Points	-10	-10	0
Total Points	118	98	62.2

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.