

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 15, 2013
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: City of Lancaster

Allocation Amount Requested:
Tax-exempt: \$7,500,000

Project Information:
Name: Cedar Ridge Apartments
Project Address: 2105 E. Avenue JB
Project City, County, Zip Code: Lancaster, Los Angeles, 93535

Project Sponsor Information:
Name: I Yam What I Yam, LP (Abbey Road, Inc. and InSite Development LLC)
Principals: Ivelise Markovits, Bernard La Fianza and Nuccio Patti for Abbey Road Inc.; Steven Eglash, Dehua Chen and Scott Williams for InSite Development LLC)
Property Management Company: Ironwood Management LLC

Project Financing Information:
Bond Counsel: Stradling, Yocca, Carlson & Rauth
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: East West Bank (constr.) / PNC Real Estate (perm.)
TEFRA Hearing Date: January 8, 2013

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 109, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is an existing development comprised of 109 units (plus one manager's unit) located in the City of Lancaster in the County of Los Angeles. It is situated on a flat rectangular parcel and consists of 12 two-story walk-up structures. The project will target low to moderate income families. The incomes of the tenants of the subsidized units will be restricted to 30% and 60% of the Area Median Income for Los Angeles County. The property will be secured by newly installed security fencing. The units features will include central air conditioning, refrigerator, dishwasher, disposal, oven/stove, window coverings, ceiling fans, and high speed internet access. In addition to a laundry facility, the 3-bedroom plans will have in-unit washer-dryer hookups. The recreation facilities will include a clubhouse, pool, spa, tot lot, and picnic area. Renovations are anticipated to be completed in June of 2014.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

36% (39 units) restricted to 50% or less of area median income households.

64% (70 units) restricted to 60% or less of area median income households.

Unit Mix: 2 & 3 bedrooms

The project will provide after school programs of an on-going nature. Services to be provided weekdays throughout the school year for at least 10 hours per week.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 14,414,719	
Estimated Hard Costs per Unit:	\$ 15,138	(\$1,650,000 /109 units)
Estimated per Unit Cost:	\$ 132,245	(\$14,414,719 /109 units)
Allocation per Unit:	\$ 68,807	(\$7,500,000 /109 units)
Allocation per Restricted Rental Unit:	\$ 68,807	(\$7,500,000 /109 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 7,500,000	\$ 4,750,000
Deferred Developer Fee	\$ 1,066,180	\$ 1,333,487
LIH Tax Credit Equity	\$ 2,348,539	\$ 4,331,232
Direct & Indirect Public Funds	\$ 3,500,000	\$ 3,500,000
AHP and/or GP Loan	\$ 0	\$ 500,000
Total Sources	\$ 14,414,719	\$ 14,414,719

Uses of Funds:	
Acquisition/Land Purchase	\$ 8,360,000
Rehabilitation Costs	\$ 1,882,000
Relocation	\$ 142,000
Architectural	\$ 70,000
Survey & Engineering	\$ 20,000
Contingency Costs	\$ 382,300
Construction Period Expenses	\$ 433,679
Permanent Financing Expenses	\$ 52,500
Legal Fees	\$ 95,000
Capitalized Reserves	\$ 1,183,070
Reports & Studies	\$ 18,000
Other	\$ 109,990
Developer Costs	\$ 1,666,180
Total Uses	\$ 14,414,719

Description of Financial Structure and Bond Issuance:

The financial structure of the proposed project will be a private placement transaction provided by East West Bank ("the Bank") for the construction phase. It is anticipated the loan will be for \$7,500,000 but in no event shall exceed 75% of the stabilized value of the property plus the value of the tax credits based on an appraisal reviewed and approved by the Bank's appraisal department. No less than \$5.2 million will be funded during construction as equity. The term of the construction phase will be 36 months. The interest rate will be the Wall Street Journal Prime + 3/4%; floor of 6.5%. Permanent financing will be provided by PNC Real Estate in the amount of \$4,750,000. The term of the loan will be for 15 years with an amortized period of 35 years. The initial interest rate for this transaction is estimated at 4.74% and will be subject to market conditions and shall be fixed at the time of rate lock. The loan will be nonrecourse with the exception of certain "carve-out" language in the Loan documents.

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: 70.5 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$7,500,000 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]	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	2.5
Service Amenities	10	10	5
New Construction	10	10	0
Sustainable Building Methods	10	10	8
Negative Points	-10	-10	0
Total Points	130	100	70.5

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.