

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 18, 2013
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: \$7,200,000

Project Information:
Name: Sonoma Court Apartments
Project Address: 508 E. Mission Avenue
Project City, County, Zip Code: Escondido, San Diego, 92025

Project Sponsor Information:
Name: Escondido Family Housing Partners, LP (NEXUS for Affordable Housing, Inc.; and Affirmed Housing Group, Inc.)
Principals: Tom Sibling, Kara Campbell and Jim Reynolds for NEXUS for Affordable Housing, Inc.; James Silverwood for Affirmed Housing Group, Inc.
Property Management Company: Solari Enterprises, Inc.

Project Financing Information:
Bond Counsel: Quint Thimmig, LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A. (constr.) / PNC Bank, N.A. (perm)
TEFRA Hearing Date: July 30, 2013

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 60, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is an existing 61-unit LIHTC development that was constructed in 1978 and renovated in 1999. The property is located in the City of Escondido, County of San Diego. The project is comprised of seven (7) two-story garden-style residential buildings. The unit configuration consists of one (1) one-bedroom unit, 39 two-bedroom units and 21 three-bedroom units. All units will be restricted to residents with household incomes no greater than 60% of the Area Median Income. Of the total units, two of the two-bedroom units at 50% AMI will be set aside for clients referred from Developmental Disability Services and one of these units is set aside for a Housing Opportunities for Persons with AIDS (HOPWA) client. Also, one of the three-bedroom units at 60% AMI will be set aside for a HOPWA client. The site work will consist of grinding and replacing the exterior asphalt and installing curb for draining as well as replacing the fencing and back wall along the perimeter of the property; replacing the interior sidewalks and increased landscaping and configuration in the interior courtyard and front entrance. Rehabilitation will also consist of seismic retrofit in the tuck under parking, replacing the sheathing and roof, installing solar panels on the roof, replacement of stucco as well as exterior painting, repair of interior stairs, replacement windows and doors for energy efficiency, and installation of a new monument sign. The rehabilitation of the interiors of the units include new flooring, replacing the cabinets, water heaters, bathtubs and fixtures.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

42% (25 units) restricted to 50% or less of area median income households.

58% (35 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2 & 3 bedrooms

The proposed project will provide after school programs.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 12,237,000	
Estimated Hard Costs per Unit:	\$ 64,050	(\$3,843,000 /60 units)
Estimated per Unit Cost:	\$ 203,950	(\$12,237,000 /60 units)
Allocation per Unit:	\$ 120,000	(\$7,200,000 /60 units)
Allocation per Restricted Rental Unit:	\$ 120,000	(\$7,200,000 /60 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 7,200,000	\$ 0
Taxable Bond Proceeds	\$ 0	\$ 4,600,000
Developer Equity	\$ 467,867	\$ 467,867
LIH Tax Credit Equity	\$ 1,332,423	\$ 3,932,423
Direct & Indirect Public Funds	\$ 2,886,671	\$ 2,886,671
Other	\$ 350,039	\$ 350,039
Total Sources	\$ 12,237,000	\$ 12,237,000

Uses of Funds:	
Acquisition/Land Purchase	\$ 5,000,000
On & Off Site Costs	\$ 1,045,055
Hard Construction Costs	\$ 2,797,945
Architect & Engineering Fees	\$ 165,000
Contractor Overhead & Profit	\$ 357,000
Developer Fee	\$ 1,395,000
Cost of Issuance	\$ 200,000
Capitalized Interest	\$ 697,000
Other Soft Costs (Marketing, etc.)	\$ 580,000
Total Uses	\$ 12,237,000

Description of Financial Structure and Bond Issuance:

The proposed project will be a private placement transaction provided by Citibank, N.A. during the construction phase and PNC Bank, National Association during the permanent phase. The construction period will be for a term of 18 months. The loan will be in the amount of \$7,200,000 and will carry a .75 % fixed rate. During the permanent phase, the loan will be in the amount of \$4,600,000. The proposed loan shall be a Fannie Mae MBS transaction with an estimated interest rate of 5.84%. The term of the loan will be 15 years with a 35 year amortization period. The bonds will be issued by the California Municipal Finance 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: 81 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$7,200,000 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]	10
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	5
Service Amenities	10	10	5
New Construction	10	10	0
Sustainable Building Methods	10	10	6
Negative Points	-10	-10	0
Total Points	130	100	81

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.