

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE  
December 11, 2013  
Staff Report  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A  
QUALIFIED RESIDENTIAL RENTAL PROJECT**

Prepared by: *Leslie J. Campaz*

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**Applicant:** California Statewide Communities Development Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$6,900,000

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**Project Information:**  
**Name:** Sierra Villa East Apartments  
**Project Address:** 621 East Avenue I  
**Project City, County, Zip Code:** Lancaster, Los Angeles, 93535

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**Project Sponsor Information:**  
**Name:** Reliant-San Gabriel, LP (Rainbow Housing Assistance Corporation; Gung Ho-San Gabriel, LLC)  
**Principals:** Flynn Janisse for Rainbow Housing Assistance Corporation; Joseph L. Sherman and J. Caskie Collet for Gung Ho-San Gabriel, LLC  
**Property Management Company:** FPI Management Inc.

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Private Placement Purchaser:** Citibank, N.A. & Reliant Cap VII, LLC  
**TEFRA Hearing Date:** November 12, 2013

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 90, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family/Federally Assisted At-Risk

The proposed acquisition and rehabilitation project is an existing 91-unit Section 8 development located in the City of Lancaster. The project serves a large family population of the area. The project is comprised of 13 two-story residential buildings as well as six ancillary buildings including four laundry buildings, one leasing office, and one storage building. Of the 91 units, 90 will be restricted to households with incomes no greater than 60% of the area median income and the remaining one (1) will be a manager's unit. The unit types and floor plans consist of 75 two-bedroom/one-bath units, 8 three-bedroom/two-bath units, and 8 four-bedroom/two-bath units. The scope of renovation work will include replacement of all unit windows and sliding doors, full exterior paint and wood repair, 100% replacement of kitchen and bath cabinets and countertops, and new playground equipment. Rehabilitation is anticipated to commence in March 2014 and be completed by October 2014.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
21% (19 units) restricted to 50% or less of area median income households.  
79% (71 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 2, 3 & 4 bedrooms

There are no service amenities included.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 13,934,674	
<b>Estimated Hard Costs per Unit:</b>	\$ 33,407	(\$3,006,604 /90 units)
<b>Estimated per Unit Cost:</b>	\$ 154,830	(\$13,934,674 /90 units)
<b>Allocation per Unit:</b>	\$ 76,667	(\$6,900,000 /90 units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 76,667	(\$6,900,000 /90 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Senior Tax-Exempt Bond Proceeds	\$ 5,700,000	\$ 5,700,000
Taxable Loan Proceeds	\$ 2,190,000	\$ 2,190,000
Subordinate Tax-Exempt Bond Proceeds	\$ 1,200,000	\$ 1,200,000
LIH Tax Credit Equity	\$ 2,469,933	\$ 3,935,825
Cash Flow	\$ 423,923	\$ 423,923
Deffered Developer Fee Note	\$ 0	\$ 484,926
<b>Total Sources</b>	<b>\$ 11,983,856</b>	<b>\$ 13,934,674</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 7,320,000
Total Hard Construction Costs	\$ 3,006,604
Architect & Engineering Fees	\$ 16,970
Contractor Overhead & Profit	\$ 323,477
Developer Fee	\$ 1,487,097
Relocation	\$ 20,152
Cost of Issuance	\$ 209,277
Capitalized Interest	\$ 851,513
Other Soft Costs (Marketing, etc.)	\$ 235,862
Reserves	\$ 463,722
<b>Total Uses</b>	<b>\$ 13,934,674</b>

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**Description of Financial Structure and Bond Issuance:**

This is a California Statewide Communities Development Authority issuance of interim tax-exempt bonds for \$5,700,000. They are privately placed by Citibank, N.A. with a 18 month maturity at a fixed rate calculated by adding a 0.27% spread to the 1-year MMD index which is currently at 0.18%, resulting in a rate of 0.45%. \$2,190,000 will be at a taxable rate set at the Treasury 10 year rate plus a spread of 2.59% with a amortization period of 35 years. There is an additional subordinate tax-exempt bond amount of \$1,200,000 @ 9.5% with a 37 year term funded by Reliant CAP VII, LLC.

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**Analyst Comments:**

Not Applicable

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**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.

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**Total Points:** 64.8 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$6,900,000 in tax exempt bond allocation on a carryforward basis.

**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	31
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	8.8
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	5
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>110</b>	<b>64.8</b>

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.