

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 21, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Brian Clark

Applicant: California Housing Finance Agency

Allocation Amount Requested:
Tax-exempt: \$15,500,866

Project Information:
Name: The Alexander Apartments
Project Address: 345 E. Commonwealth Avenue
Project City, County, Zip Code: Fullerton, Orange, 92832

Project Sponsor Information:
Name: TRG Fullerton Affordable, LP (TRG Fullerton Affordable, LLC;
Central Valley Coalition for Affordable Housing)
Principals: Richard P. Richman, Kristin M. Miller, David A. Salzman &
Ronald S. Kochman, for TRG Fullerton Affordable, LP; Alan
Jenkins, Sid McIntyre, Steve Simmons, Dennis Mineni, Cindy
Morse, Maryam Shabazz & Tom McCall for Central Valley
Coalition for Affordable Housing

Property Management Company: Richman Property Services, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Bank of America Merrill Lynch (construction); California
Community Reinvestment Corp. (permanent)
TEFRA Adoption Date: March 21, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 94, plus 1 manager unit
Type: New Construction
Type of Units: Senior Citizens

The proposed new construction senior project will be located on a site of approximately .64 acres located in a mixed-use neighborhood adjacent to downtown Fullerton, Orange County. The proposed project will consist of a single, six-story, elevator-served building housing 79 one bedroom tenant units and 15 two bedroom tenant units. Per the application, all units will be income restricted. The proposed project will have a manager's office, community laundry room, fitness center, library and club room. All units will feature carpeted living area, vinyl flooring in kitchen and bath, mini blinds, central air conditioning and range, refrigerator, dishwasher and disposal in the kitchens. The first floor of the building will have approximately 1,240 sq. ft. of retail space that will be condominiumed off and held by separate ownership. The structure will be concrete with a flat roof; parking will be on the ground and basement levels. Construction is estimated to begin June 2014 and be completed June 2015.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
11% (10 units) restricted to 50% or less of area median income households."
89% (84 units) restricted to 60% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

There are no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 27,430,606	
Estimated Hard Costs per Unit:	\$ 146,187	(\$13,741,548 /94 units)
Estimated per Unit Cost:	\$ 291,815	(\$27,430,606 /94 units)
Allocation per Unit:	\$ 164,903	(\$15,500,866 /94 units)
Allocation per Restricted Rental Unit:	\$ 164,903	(\$15,500,866 /94 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 15,500,866	\$ 8,524,318
Taxable Bond Proceeds	\$	\$
Deferred Developer Fee	\$	\$
LIH Tax Credit Equity	\$ 957,740	\$ 9,545,760
Direct & Indirect Public Funds	\$ 8,972,000	\$ 8,972,000
Other	\$ 2,000,000	\$ 388,528
Total Sources	\$ 27,430,606	\$ 27,430,606

Uses of Funds:	
Acquisition/Land Purchase	\$ 2,673,900
On & Off Site Costs	\$ 600,532
Hard Construction Costs	\$ 13,141,016
Architect & Engineering Fees	\$ 705,393
Contractor Overhead & Profit	\$ 990,127
Developer Fee	\$ 2,500,000
Relocation	\$
Cost of Issuance	\$ 775,345
Capitalized Interest	\$ 522,180
Other Soft Costs (Marketing, etc.)	<u>\$ 5,522,113</u>
Total Uses	\$ 27,430,606

Description of Financial Structure and Bond Issuance:

The construction bonds will be purchased as a private placement transaction by Bank of America Merrill Lynch in the amount of \$15,500,866 for a term of 24 months (may be extended for an additional 6 months by payment of an extension fee equal to .5% of the outstanding balance of the construction bonds). During the term of the construction bonds, they will bear interest at a fluctuating rate based on the Daily Floating LIBOR plus 1.95% will be secured by a first deed of trust against the property and be recourse obligations of the Project Sponsor and its general partners. Additionally, The Richman Group Development Corp., an affiliate of the Project Sponsor, will provide completion and repayment guarantees. Upon conversion to the permanent financing phase, the bonds will be paid down to \$8,524,318 and the remaining outstanding bonds will be purchased by California Reinvestment Corp., who will provide permanent financing. During the permanent phase, the bonds will bear interest at a fixed rate to be set at issuance that is the greater of 5.10% or the muni bond index plus 175 bps. The permanent financing will be amortized over 35 years with an 18 year term and has been underwritten at an all-in rate of 5.25%.

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: 65 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$15,500,866 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	25
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	0
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	65

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.