

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 16, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Leslie J. Campaz

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$5,750,000

Project Information:
Name: Olive Court Apartments
Project Address: 44056 Arabia Street
Project City, County, Zip Code: Indio, Riverside, 92201

Project Sponsor Information:
Name: Olive Villages of Indio, L.P. (Lutheran Gardens Corp and VHJS Indio, LLC)
Principals: James Merrit and Dr. Anthony Calloway for Lutheran Gardens Corp; Peter Barker and Saki Middleton for VHJS Indio, LLC
Property Management Company: Barker Management Incorporated

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Red Stone Tax-Exempt Funding LLC
TEFRA Adopted Date: January 15, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 77, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed acquisition and rehabilitation project is an existing 78-unit low income family rental housing project located in the City of Indio and County of Riverside. The project targets large families earning up to 60% of the area median income. The unit configuration will be 50 two-bedroom/one-bath units, 11 two-bedroom/two-bath units, 15 three-bedroom units and 2 four-bedroom units. The renovation will focus on the replacement of costly and long-lived systems and appliances, increased energy efficiency, and enhancement of the visual aspect of the property. The scope of rehabilitation will include: installation of a new cool roof, new exterior paint, landscape and sidewalk repairs, new low-e windows, installation of solar panels designed to power the common areas, unit repairs and upgrades including new lighting fixtures and appliances, new flooring, drywall repairs, and interior paint. The rehabilitation construction is anticipated to start in the spring of 2014, with a construction period of approximately six to eight months in duration.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
42% (32 units) restricted to 50% or less of area median income households.
58% (45 units) restricted to 60% or less of area median income households.
Unit Mix: 2, 3 & 4 bedrooms

There are no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 10,627,148
Estimated Hard Costs per Unit: \$ 33,428 (\$2,574,000 /77 units)
Estimated per Unit Cost: \$ 138,015 (\$10,627,148 /77 units)
Allocation per Unit: \$ 74,675 (\$5,750,000 /77 units)
Allocation per Restricted Rental Unit: \$ 74,675 (\$5,750,000 /77 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 5,750,000	\$ 3,170,000
Developer Equity	\$ 0	\$ 899,490
LIH Tax Credit Equity	\$ 1,502,148	\$ 3,182,658
Other (Marketing, etc.)	\$ 3,375,000	\$ 3,375,000
Total Sources	\$ 10,627,148	\$ 10,627,148

Uses of Funds:	
Acquisition/Land Purchase	\$ 5,000,000
Hard Construction Costs	\$ 2,574,000
Architect & Engineering Fees	\$ 125,000
Contractor Overhead & Profit	\$ 360,360
Relocation	\$ 78,000
Developer Fee	\$ 1,229,994
Cost of Issuance	\$ 252,813
Capitalized Interest	\$ 431,250
Other Soft Costs (Marketing, etc.)	\$ 575,731
Total Uses	\$ 10,627,148

Description of Financial Structure and Bond Issuance:

This will be a private placement bond transaction with the bonds being purchased by Red Stone Tax-Exempt Funding LLC. The bonds will be issued by the California Statewide Communities Development Authority. At close of escrow the tax-exempt bond loan amount will be \$5,750,000 and will be partially redeemed upon completion of the renovations by an amount equal to \$2,580,000 leaving a permanent loan amount of \$3,170,000. The bond loan will carry a fixed interest rate of 6.05% for a period of 16 years with payments amortized over a 35 year term. The bonds will have an initial interest-only period of 12 months during construction and the debt will be recourse to the borrower until completion of construction has been achieved.

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: 55 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$5,750,000 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	0
Leveraging	10	10	0
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	10
Negative Points	-10	-10	0
Total Points	130	100	55

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.