

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 20, 2015
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Brian Clark

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$9,000,000

Project Information:
Name: Avenida Crossing Apartments
Project Address: 2317 West Avenue J8
Project City, County, Zip Code: Lancaster, Los Angeles, 93536

Project Sponsor Information:
Name: Lancaster 637, LP (USA Lancaster 637, Inc. & Riverside Charitable Corporation)
Principals: Geoffrey C. Brown, Edward R. Herzog, Michael J. McCleery, Karen C. McCurdy, Darren Bobrowsky & Valerie Silva for USA Lancaster 637, Inc.; Kenneth Robertson, Penny LaRue, Craig Gillett, Trisha Hockings, Gregg Rogers & Stewart Hall for Riverside Charitable Corporation
Property Management Company: USA Multifamily Management, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Citibank, NA
TEFRA Adoption Date: April 14, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 76, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The Project, constructed in 1996, is located on a 10.25 acre parcel in Lancaster. The Project, consisting of 15 residential buildings, a leasing office/recreation/maintenance building, 3 laundry buildings and 196 parking spaces; houses 76 tenant units (9 two-bedroom, 53 three-bedroom and 14 four-bedroom units) and a single three-bedroom manager's unit. All tenant units will be income restricted at 50% AMI. Unit amenities include central heat/AC, blinds, carpeting, refrigerator, stove/oven, dishwasher and disposal. Site amenities include a pool, BBQ areas, playground, patio with covered seating area, on-site leasing and management, community kitchen, computer lab and activity area. Unit renovations will include new pantry cabinet doors/hardware, bathroom cabinet doors/hardware, dishwasher, stove/oven, refrigerator and central heating/AC units. Unit flooring/carpeting, cabinets, countertops, interior paint, windows blinds and dry rot damage will be repaired/replaced on an as-needed basis. Exterior renovations will include landscape irrigation improvements, clubhouse upgrades, repair/resurfacing of asphalt drives, upgrading of laundry room finishes, new signage and conversion of tot lots to BBQ/picnic areas. Rehabilitation is expected to begin in July 2015 and be completed in December 2015.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (76 units) restricted to 50% or less of area median income households.
Unit Mix: 2, 3 & 4 bedrooms

There will be no service amenities for the proposed project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

| | | |
|---|---------------|------------------------------------|
| Estimated Total Development Cost: | \$ 12,342,120 | |
| Estimated Hard Costs per Unit: | \$ 27,284 | (\$2,073,589 /76 units) |
| Estimated per Unit Cost: | \$ 162,396 | (\$12,342,120 /76 units) |
| Allocation per Unit: | \$ 118,421 | (\$9,000,000 /76 units) |
| Allocation per Restricted Rental Unit: | \$ 118,421 | (\$9,000,000 /76 restricted units) |

| Sources of Funds: | Construction | Permanent |
|------------------------------------|---------------|---------------|
| Tax-Exempt Bond Proceeds | \$ 9,000,000 | \$ 5,430,000 |
| LIH Tax Credit Equity | \$ 2,373,215 | \$ 3,646,074 |
| Deferred Developer Fee | \$ 0 | \$ 528,891 |
| Subordinate Subsidy Loan | \$ 0 | \$ 1,540,000 |
| Seller Carryback Note | \$ 620,000 | \$ 620,000 |
| Net Operating Income | \$ 154,584 | \$ 577,155 |
| Total Sources | \$ 12,147,799 | \$ 12,342,120 |
| Uses of Funds: | | |
| Acquisition/Land Purchase | \$ 7,470,000 | |
| Hard Construction Costs | \$ 2,073,589 | |
| Architect & Engineering Fees | \$ 53,500 | |
| Contractor Overhead & Profit | \$ 134,580 | |
| Developer Fee | \$ 1,373,046 | |
| Relocation | \$ 9,000 | |
| Cost of Issuance | \$ 759,195 | |
| Other Soft Costs (Marketing, etc.) | \$ 469,210 | |
| Total Uses | \$ 12,342,120 | |

Description of Financial Structure and Bond Issuance:

The bonds will be purchased as a private placement transaction by Citibank, N.A. The construction phase will be for a period of 18 months, during which the construction loan will bear interest at a fixed rate currently estimated to be 3.274%. Upon conversion to permanent phase, the permanent loan will bear interest at a fixed rate currently estimated to be 4.884%. The permanent loan will have a 30-year term and a 35-year amortization period. Upon conversion to permanent phase, Citibank, NA will also provide a subordinate loan in an amount currently estimated to be \$1,540,000. The subordinate loan will have a term of 55 years and will be interest-only payable from 75% of Project Cash Flow. The subordinate loan will bear interest at a fixed rate of 1.00%, simple interest, non-compounding.

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 \$9,000,000 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 | 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 | 5 |
| 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.