

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: \$12,000,000

Project Information:
Name: Garden Grove United Methodist Church Apartments
Project Address: 12741 Main Street, 10882 Stanford Avenue
Project City, County, Zip Code: Garden Grove, Orange, 92840

Project Sponsor Information:
Name: Garden Grove Housing Partners, LP (JHC-Garden Grove Housing, LLC)
Principals: Laura Archuleta, Mary Jo Goelzer, George Searcy, Welton Smitt & Marcy Finamore for JHC-Garden Grove Housing, LLC
Property Management Company: EPMI, A Bayside Company

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: US Bank, NA (construction); California Community Reinvestment Corporation (permanent)
TEFRA Adoption Date: April 14, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 46, plus 1 manager unit
Type: New Construction
Type of Units: Family

The Project will be located in Garden Grove on two contiguous parcels totaling 2 acres. The Project, consisting of 2 three story buildings, a recreation center and 77 parking spaces; will house 46 tenant units (20 one-bedroom, 11 two-bedroom and 15 three-bedroom units) and a single two-bedroom manager's unit. All tenant units will be income restricted; 13 units at 50% AMI and 33 units at 60% AMI. Unit amenities will include central heat/AC, blinds, carpeting, storage closet, patio/balcony, refrigerator, stove/oven, dishwasher, disposal and microwave. Site amenities will include a community/recreation room, exercise room, courtyard/picnic area, playground, on-site management, laundry facility and an activities coordinator. The planned construction start date is August 2015 with a completion date of August 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
28% (13 units) restricted to 50% or less of area median income households.
72% (33 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

There are no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	14,819,395	
Estimated Hard Costs per Unit:	\$	159,524	(\$7,338,123 /46 units)
Estimated per Unit Cost:	\$	322,161	(\$14,819,395 /46 units)
Allocation per Unit:	\$	260,870	(\$12,000,000 /46 units)
Allocation per Restricted Rental Unit:	\$	260,870	(\$12,000,000 /46 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 12,000,000	\$ 4,206,761
Developer Equity	\$ 174,834	\$ 572,021
LIH Tax Credit Equity	\$ 634,000	\$ 6,340,000
Direct & Indirect Public Funds	\$ 2,010,561	\$ 3,700,613
Total Sources	\$ 14,819,395	\$ 14,819,395

Uses of Funds:	
On & Off Site Costs	\$ 1,013,780
Hard Construction Costs	\$ 6,324,343
Architect & Engineering Fees	\$ 1,200,000
Contractor Overhead & Profit	\$ 1,036,877
Developer Fee	\$ 1,400,000
Cost of Issuance	\$ 25,000
Capitalized Interest	\$ 176,979
Impact fees	\$ 946,558
Other Soft Costs (Marketing, etc.)	\$ 2,695,858
Total Uses	\$ 14,819,395

Description of Financial Structure and Bond Issuance:

The bonds will be purchased as private placement transactions. Union Bank, NA will provide construction financing and The California Community Reinvestment Corporation will provide permanent financing. The construction phase will be for a period of up to 24 months, during which the Union Bank, NA construction loan will be interest-only at a variable rate equal to 30-day LIBOR plus 165 basis points. Upon conversion to permanent phase, The California Community Reinvestment Corporation permanent loan will bear interest, pursuant to a 24 month forward commitment/rate lock, at a rate equal to the greater of the 15-year muni bond index plus 175 basis points or 4.20%. The permanent loan will have an 18 year term and 35 year amortization period.

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: 81.5 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$12,000,000 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	34
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	7.5
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	81.5

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.