

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 21, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Louise Eller

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$10,882,161

Project Information:
Name: Hemet Vistas Apartments
Project Address: 225 West Fruitvale Avenue
Project City, County, Zip Code: Hemet, Riverside, 92543

Project Sponsor Information:
Name: Hemet Vistas 1&2R Partners, L.P. (Palm Communities and Las Palmas Foundation)
Principals: Danavon L. Horn and Mitch Slagerman for Palm Communities. Joseph M. Michaels, Noami Pines and Sherry Avery for Las Palmas Foundation
Property Management Company: ConAm Management Corporation

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: JPMorgan Chase Bank, N.A.
Public Sale: Not Applicable
Underwriter: Not Applicable
TEFRA Noticing Date: May 6, 2016
TEFRA Adoption Date: May 24, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 143, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

Hemet Vistas is an existing project located in Hemet on two sites totalling 8.96 acres. The project consists of 107 three-bedroom units and 36 four-bedroom units. Hemet Vistas is improved with twelve two-story garden-style buildings, in addition to one single-story community building. The scope of the rehabilitation within the units includes appliances, the HVAC system, and water heaters will be replaced with energy efficient models. New flooring will be installed and the entire interior will be painted. Ten percent of the units will be modified to meet full accessibility requirements, including new kitchen countertops that are adjustable. The landscaping will be upgraded with drought-tolerant materials to minimize water use. Exterior lighting will be replaced with energy efficient models. To improve the look of the buildings, the entire property will be painted. Any damaged stucco, wood trim, and fascia will be repaired and/or replaced. The project's community rooms, laundry rooms, play grounds, and pool area will be renovated and improved during the rehabilitation. Overall, the post-rehabilitated buildings will have a minimum energy efficiency improvement of at least 10% over existing conditions. The construction is expected to begin January 2017 and complete October 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
98% (140 units) restricted to 50% or less of area median income households.
2% (3 units) restricted to 60% or less of area median income households.
Unit Mix: 3 & 4 bedrooms

The project will be providing an after school program for at least 10 hours per week as well as instructor-led educational, health and wellness or skill building classes for a minimum of 84 hours per year.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 17,731,972
Estimated Hard Costs per Unit: \$ 22,448 (\$3,210,000 /143 units)
Estimated per Unit Cost: \$ 123,139 (\$17,731,972 /144 units including manager unit)
Allocation per Unit: \$ 76,099 (\$10,882,161 /143 units)
Allocation per Restricted Rental Unit: \$ 76,099 (\$10,882,161 /143 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 10,882,161	\$ 6,543,040
LIH Tax Credit Equity	\$ 888,165	\$ 5,921,103
County of Riverside HOME Loan	\$ 1,252,463	\$ 1,252,463
County of Riverside RDA Loan	\$ 1,031,106	\$ 1,031,106
GP Equity Contribution	\$ 54,415	\$ 54,415
Seller Carryback Loan	\$ 2,000,000	\$ 2,000,000
Deferred Developer Fee	\$ 1,623,663	\$ 384,243
Net Income From Operations	\$ 0	\$ 545,603
Total Sources	\$ 17,731,973	\$ 17,731,973

Uses of Funds:	
Land Cost/Acquisition	\$ 9,800,000
Rehabilitation	\$ 3,582,360
Relocation	\$ 143,000
Contractor Overhead	\$ 128,400
Architectural Fees	\$ 90,000
Survey and Engineering	\$ 17,000
Construction Interest and Fees	\$ 518,013
Permanent Financing	\$ 10,000
Legal Fees	\$ 200,000
Reserves	\$ 279,453
Appraisal	\$ 5,500
Contingency Cost	\$ 365,940
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 600,470
Developer Costs	\$ 1,991,836
Total Uses	\$ 17,731,972

Analyst Comments:

None

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: 85 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$10,882,161 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
Preservation Project	20	20	20
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	5
Service Amenities	10	10	10
New Construction or Substantial Renovation	10	10	0
Sustainable Building Methods	10	10	5
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	0
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	0
Negative Points (No Maximum)	-10	-10	-10
Total Points	140	110	85

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.