

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 18, 2011
Staff Report
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT**

Prepared by: Sarah Lester

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$12,700,000

Project Information:
Name: Desert Meadows Apartments
Project Address: 44071 Clinton Street
Project City, County, Zip Code: Indio, Riverside, 92201

Project Sponsor Information:
Name: Desert Meadows Housing Partners, LP (The Southern California Housing Development Corporation of the Inland Empire)
Principals: Orlando J. Cabrera, Richard J. Whittingham, Tracy Thomas and Welton Smith

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Union Bank, N.A.
TEFRA Hearing Date: April 5, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 79, plus 1 manager unit
Type: New Construction
Type of Units: Family

The proposed project is a new construction project of 79 affordable family units plus 1 manager unit. The site is approximately 4.15 acres. The project consists of 30 three-bedroom (1,060 square feet) units and 50 two-bedroom (845 square feet) units. Also, a 5,000+ square foot community center will be included in the project. There will be 172 covered/uncovered parking spaces. The project will be designed to achieve LEED certification and will include solar panels on the roof and carport parking structures.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (79 units) restricted to 50% or less of area median income households.
Unit Mix: 2 & 3 bedrooms

The proposed project will add 79 newly constructed affordable housing units to the city of Indio in the county of Riverside. The project is intended to target large families with household incomes of 25% to 40% of the area median income. The project will provide after school programs of an ongoing nature and educational classes.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 23,139,655	
Estimated Hard Costs per Unit:	\$ 185,900	(\$14,686,088 /79 units)
Estimated per Unit Cost:	\$ 292,907	(\$23,139,655 /79 units)
Allocation per Unit:	\$ 160,759	(\$12,700,000 /79 units)
Allocation per Restricted Rental Unit:	\$ 160,759	(\$12,700,000 /79 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 12,700,000	\$ 0
Deferred Developer Fee	\$ 0	\$ 35,000
LIH Tax Credit Equity	\$ 1,837,635	\$ 8,673,000
Direct & Indirect Public Funds	\$ 7,900,000	\$ 14,431,655
Total Sources	\$ 22,437,635	\$ 23,139,655

Uses of Funds:	
Land Purchase	\$ 1
On & Off Site Costs	\$ 3,109,602
Hard Construction Costs	\$ 11,576,486
Architect & Engineering Fees	\$ 810,000
Contractor Overhead & Profit	\$ 1,199,532
Developer Fee	\$ 1,200,000
Cost of Issuance	\$ 117,625
Capitalized Interest	\$ 894,292
Other Soft Costs	\$ 4,232,117
Total Uses	\$ 23,139,655

Description of Financial Structure and Bond Issuance:

The project financing will be for a construction loan only. The financing will be structured as a private placement transaction. It will be financed using a combination of sources of funding. The sources of funds will include tax-exempt bonds, low-income housing tax credit equity, direct & indirect public funds and deferred developer fee. The underwritten interest rate on the tax-exempt bonds is 4.5%. The construction phase of the bonds will be for a period of 24 months. There will be no permanent debt. The tax-exempt bonds will be paid off with public funds.

Analyst Comments:

N/A

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 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$12,700,000 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]	10
Gross Rents	5	5	0
Large Family Units	5	5	5
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	10
New Construction	10	10	10
Sustainable Building Methods	8	8	0
Negative Points	-10	-10	0
Total Points	118	98	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.