

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 20, 2011
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Annie Ong

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$3,500,000

Project Information:
Name: Valley Commons East Apartments
Project Address: 295 Joerschke Road
Project City, County, Zip Code: Grass Valley, Nevada, 95945

Project Sponsor Information:
Name: Star-VC East Limited Partnership (WHA-VC East G/P, L.L.C. and Valley Commons East G/P, L.L.C.)
Principals: Alan Zais, Clinton Cole, and Vickie Huwe for WHA-VC East G/P, L.L.C.; Michael Moore and Mary Moore for Valley Commons East G/P, L.L.C.
Property Management Company: Professional Property Management L.L.C.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: U.S. BANK
TEFRA Hearing Date: May 24, 2011

Description of Proposed Project:
State Ceiling Pool: Rural
Total Number of Units: 55, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family/Federally Assisted At-Risk

The subject is an existing project containing 56 units for USDA 515 development located in Grass Valley, CA. The project is Federally At Risk of becoming a market rate rental. Renovations will include unit interior remodeling and repairs, exterior upgrades and repairs, and correction of deferred maintenance.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
31% (17 units) restricted to 50% or less of area median income households.
69% (38 units) restricted to 60% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

Project is within close proximity of transit, shopping, and public schools. The project consists of 12 one bedroom units, 43 two bedroom units that will serve families in Grass Valley.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	6,305,168	
Estimated Hard Costs per Unit:	\$	22,711	(\$1,249,080 /55 units)
Estimated per Unit Cost:	\$	114,639	(\$6,305,168 /55 units)
Allocation per Unit:	\$	63,636	(\$3,500,000 /55 units)
Allocation per Restricted Rental Unit:	\$	63,636	(\$3,500,000 /55 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 3,500,000	\$ 2,300,000
Developer Equity	\$ 375,435	\$ 375,435
Deferred Developer Fee	\$ 237,094	\$ 237,094
LIH Tax Credit Equity	\$ 289,200	\$ 1,489,200
Direct & Indirect Public Funds	\$ 1,903,439	\$ 1,903,439
Total Sources	\$ 6,305,168	\$ 6,305,168

Uses of Funds:	
Acquisition Cost	\$ 3,096,622
Hard Construction Costs	\$ 1,249,080
Architect & Engineering Fees	\$ 90,000
Contractor Overhead & Profit	\$ 170,800
Developer Fee	\$ 673,883
Relocation	\$ 10,000
Cost of Issuance	\$ 427,559
Capitalized Interest	\$ 105,000
Other Soft Costs (Marketing, etc.)	\$ 482,224
Total Uses	\$ 6,305,168

Description of Financial Structure and Bond Issuance:

Valley Commons East will be financed with a private placement construction loan in the amount of \$3,500,000 from U.S. Bank at a rate of 6.67% that will be paid down to a \$2,300,000 permanent loan from U.S. Bank with a 6.67% interest rate, 30-year amortization, and a 1.15 debt coverage ratio for both. Construction period is expected to be 9 months; the capitalized interest included in the projects costs is for 12 months, allowing for a 3 month lease-up and stabilization period prior to conversion. Conditions for closing include finalization of all documents providing sources of funds, including the tax credit equity. Closing is estimated to occur in December of 2011.

Analyst Comments:

Valley Commons East is a Federally At Risk USDA 515 project.

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: 61.9 out of 128
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$3,500,000 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	10
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	4.4
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.5
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	8	8	0
Negative Points	-10	-10	0
Total Points	128	108	61.9

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.