

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 28, 2011
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Annie Ong

Applicant: Housing Authority of the City of Oxnard

Allocation Amount Requested:
Tax-exempt: \$15,000,000

Project Information:
Name: Las Villas de Paseo Nuevo Apartments
Project Address: 5655, 5667, 5701, 5703-5705, 5709,
5711, 5713 5715 and 5727 Cypress Road
Project City, County, Zip Code: Oxnard, Ventura, 93033

Project Sponsor Information:
Name: Paseo Nuevo Partners, L.P. (Pat McCarthy Construction, Inc.;
Housing Authority of the City of Oxnard and Las Cortes, Inc.)
Principals: Las Cortes, Inc: William E. Wilkins, Carrie Sabatini, Larry
White
Pat McCarthy Construction, Inc.: Pat McCarthy, Sarah
McCarthy and Francis Brookes
Property Management Company: Housing Authority of the City of Oxnard
Housing Authority of the City of Oxnard

Project Financing Information:
Bond Counsel: Quint & Thimmig LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Hearing Date: June 21, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 71, plus 1 manager unit
Type: New Construction
Type of Units: Family

The proposed Project is a new construction multi-family community that will be 100% affordable. Of the 71 restricted units 29% will be restricted at 50% AMI and the remaining units will be restricted at 60% AMI. The target population for the Project will be families in most units, but there might be single individuals occupying some of the units (particularly the 2-bedroom units). Construction is expected to begin around November 2011 and be completed by May 2013.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
30% (21 units) restricted to 50% or less of area median income households.
70% (50 units) restricted to 60% or less of area median income households.
Unit Mix: 2 & 3 bedrooms

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 26,298,167
Estimated Hard Costs per Unit: \$ 158,995 (\$11,288,650 /71 units)
Estimated per Unit Cost: \$ 370,397 (\$26,298,167 /71 units)
Allocation per Unit: \$ 211,268 (\$15,000,000 /71 units)
Allocation per Restricted Rental Unit: \$ 211,268 (\$15,000,000 /71 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 15,000,000	\$ 7,200,000
Seller Carryback Note on Land	\$ 2,000,000	\$ 2,000,000
Deferred Developer Fee	\$ 941,195	\$ 941,195
Deferred Impact Fees	\$ 600,000	\$ 600,000
Accrued Interest on Seller Note & City Loans	\$ 415,000	\$ 415,000
LIH Tax Credit Equity	\$ 91,972	\$ 7,480,772
Direct & Indirect Public Funds	\$ 6,800,000	\$ 7,000,000
Other (Solar Rebates)	\$ 450,000	\$ 661,200
Total Sources	\$ 26,298,167	\$ 26,298,167

Uses of Funds:	
Land Purchase	\$ 4,000,000
On & Off Site Costs	\$ 2,900,600
Hard Construction Costs	\$ 8,388,050
Hard Cost Contingency	\$ 607,991
Architect & Engineering Fees	\$ 480,883
Contractor Overhead & Profit	\$ 1,614,494
Developer Fee	\$ 2,500,000
Relocation	\$ 550,000
Cost of Issuance	\$ 517,000
Capitalized Interest	\$ 1,015,000
Impact Fees & Permit Processing	\$ 2,162,966
Other Soft Costs (Marketing, etc.)	\$ 1,561,183
Total Uses	\$ 26,298,167

Description of Financial Structure and Bond

Las Villas de Paseo will be financed using a combination of sources of funding. The source of funds will include tax-exempt bonds, affordable housing tax credit equity, a residual receipts of loan from in-lieu funds of the City of Oxnard, a residual receipts loan from the Oxnard Community Development Commission, deferred developer fee, seller carryback loan, solar tax credit equity, solar rebates, accrued construction term interest on seller carryback and city loans, and deferred impact fees.

The tax-except bonds will carry a fixed interest rate during the permanent phase. The interest rate during construction is expected to be at the SIFMA base rate plus 325 basis points, plus issuer and trustee fees that are expected to total roughly 17 basis points. The interest rate during the permanent phase is expected to be 6.42 % (6.25% rate plus issuer and trustee fees that are expected to total 17 basis points). The amortization period is 35 years and the loan term is 17 years. The construction phase of the bonds will be for a period of 24 months or less with an optional 6-month extension period. The bonds will be recourse during construction and nonrecourse over the permanent phase. The lender commitment letter lists a minimum debt coverage ratio of 1.15 for permanent loan sizing. The bonds will be structured as a private placement with Citi Community Capital.

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:

78 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$15,000,000 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	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	8	8	8
Negative Points	-10	-10	0
Total Points	118	98	78

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.