

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: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$5,000,000

Project Information:
Name: De Anza II Apartments
Project Address: 233 East 4th Street
Project City, County, Zip Code: Calexico, Imperial, 92231

Project Sponsor Information:
Name: De Anza II CIC, LP (Pacific Southwest Community Development Corporation and CIC De Anza II, LLC and Chelsea Investment Corporation)
Principals: Pacific Southwest Community Development Corporation: Tony Reyes and Robert W. Liang
CIC De Anza II, LLC and Chelsea Investment Corporation: James J. Schmid and Lynn Harrington Schmid
Property Management Company: CIC Management, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Rabobank, N.A.
TEFRA Hearing Date: August 16, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 53, plus 1 manager unit
Type: New Construction
Type of Units: Senior Citizens

De Anza II Apartments will be built on an infill site in downtown Calexico. The proposed site is currently serving as a portion of the underused parking lot for the existing De Anza Hotel Apartments (phase I of the Subject). The Project is located adjacent to the south, with ground-level commercial/retail uses fronting Fourth Street. Additional commercial uses are on the south side of Fourth Street in the Subject's neighborhood, including banks, retail and several motels. Single family homes and a small parochial school are located north of the Subject. The Subject is a proposed multifamily development targeting low income seniors aged 55 and older. The expected start date of construction is February 2012 and the completion date is October 2012.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (53 units) restricted to 50% or less of area median income households.
Unit Mix: Studio

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	8,894,778	
Estimated Hard Costs per Unit:	\$	167,826	(\$167,826 /53 units)
Estimated per Unit Cost:	\$	167,826	(\$8,894,778 /53 units)
Allocation per Unit:	\$	94,340	(\$5,000,000 /53 units)
Allocation per Restricted Rental Unit:	\$	94,340	(\$5,000,000 /53 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 4,955,474	\$ 0
Deferred Developer Fee	\$ 0	\$ 215,092
LIH Tax Credit Equity	\$ 682,938	\$ 3,414,686
Direct & Indirect Public Funds	\$ 2,110,985	\$ 5,265,000
Total Sources	\$ 7,749,397	\$ 8,894,778

Uses of Funds:	
Acquisition	\$ 20,000
New Construction Costs	\$ 4,992,394
Architectural	\$ 375,000
Survey & Engineering	\$ 225,541
Contingency Costs	\$ 289,413
Construction Period Expenses	\$ 527,841
Permanent Financing Expenses	\$ 10,000
Legal Fees	\$ 199,154
Capitalized Reserves	\$ 271,131
Reports & Studies	\$ 66,015
Other (Marketing, etc)	\$ 1,024,289
Developer Costs	\$ 894,000
Total Uses	\$ 8,894,778

Description of Financial Structure and Bond

De Anza II Apartments will be financed by Rabobank, N.A., which will purchase the construction period bond. The Bank will purchase construction period bonds in the amount of \$5,000,000 and is anticipated to close on January 31, 2012. During construction the loan will bear interest at the greater of: (i) the one (1) month LIBOR + 3.00% or (ii) 5.00%. There will be additional funding of \$5,000,000 from the HOME Investment Partnership Act (HOME).

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: 76.6 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$5,000,000 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]	6.1
Gross Rents	5	5	0
Large Family Units	5	5	0
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	8	8	8
Negative Points	-10	-10	0
Total Points	118	98	76.6

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.