

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: Sarah Lester

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$6,930,732

Project Information:
Name: Forester Square Apartments
Project Address: 8820 Olive Ln.; 9554 & 9560 Via Zapador
Project City, County, Zip Code: Santee, San Diego, 92071

Project Sponsor Information:
Name: Forester Square, LP (Wakeland Housing and Development Corporation)
Principals: Ken Sauder, Rebecca Louie and Joan Edelman
Property Management Company: ConAm Management Corporation

Project Financing Information:
Bond Counsel: Stradling, Yocca, Carlson & Rauth
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: U.S. Bank, N.A.
TEFRA Hearing Date: June 8, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 43, plus 1 manager unit
Type: New Construction
Type of Units: Family

The proposed Project is a new construction project located in the City of Santee in the County of San Diego. It will be situated on a 1.26 acre site and will consist of 44 total units, of which 43 will be restricted to families with household incomes between 50% and 60% of the area median income, and one manager's unit. The Project will consist of two 3-story walk-up buildings plus one ancillary building that will contain the leasing office and laundry room. Construction is scheduled to begin in January 2012 with a construction period of 12 months.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
16% (7 units) restricted to 50% or less of area median income households.
84% (36 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

The proposed project will provide after school programs and educational classes.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	13,119,302	
Estimated Hard Costs per Unit:	\$	105,707	(\$4,545,412 /43 units)
Estimated per Unit Cost:	\$	305,100	(\$13,119,302 /43 units)
Allocation per Unit:	\$	161,180	(\$6,930,732 /43 units)
Allocation per Restricted Rental Unit:	\$	161,180	(\$6,930,732 /43 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 6,930,732	\$ 2,642,631
Deferred Developer Fee	\$	\$ 300,000
LIH Tax Credit Equity	\$ 400,000	\$ 4,536,757
Direct & Indirect Public Funds	\$ 4,697,125	\$ 5,494,000
Other (Def. Int. & Bus. Inv. Tax credit)	\$ 140,914	\$ 145,914
Total Sources	\$ 12,168,771	\$ 13,119,302

Uses of Funds:	
Acquisition	\$ 1,689,000
New Construction Costs	\$ 5,653,730
Relocation	\$ 47,880
Architectural	\$ 463,000
Survey & Engineering	\$ 300,000
Contingency Costs	\$ 597,358
Construction Period Expenses	\$ 495,638
Permanent Financing Expenses	\$ 105,413
Legal Fees	\$ 89,499
Capitalized Reserves	\$ 108,096
Reports & Studies	\$ 25,000
Other (Marketing, etc)	\$ 2,059,688
Developer Costs	\$ 1,485,000
Total Uses	\$ 13,119,302

Description of Financial Structure and Bond Issuance:

The financial structure will be a Private Placement transaction through US Bank. The project will be financed using tax-exempt bonds, low income housing tax credit equity, public funds and deferred developer fee. The term of the construction loan will be 24 months. A forward rate lock must be purchased at close of the construction loan. A 24-month forward is estimated at 25 to 40 basis points. At the time of construction, the loan will be priced at a floating interest rate equal to 30-day LIBOR plus 300 basis points multiplied by US Bank's tax exempt rate. During construction there will only be monthly interest-only payments. The term on the permanent phase will be 17 years amortized for 30 years with a fixed interest rate based on the applicable US Bank CIP rate for a 17-year term loan plus 250 basis points. An underwriting rate of 6.00% has been used to determine term loan size. The anticipated closing date is November/December 2011.

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: 75.5 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$6,930,732 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	28
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	7.5
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	75.5

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.