

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: \$10,500,000

Project Information:
Name: Casa Rita Apartments
Project Address: 6508 Rita Avenue
Project City, County, Zip Code: Huntington Park, Los Angeles, 90255

Project Sponsor Information:
Name: Casa Rita Family Housing Partners, LP (Central Valley Coalition for Affordable Housing (CVAH); and Payne/SJC Pacific LLC)
Principals: Christina Alley, Alan Jenkins, Sid McIntyre, Jennifer Bertuccio, Renee Downum and Steve Simmons for CVAH; and Kevin Payne for SJC Pacific LLC
Property Management Company: Richmand Property Services, Inc.

Project Financing Information:
Bond Counsel: Quint & Thimmig LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Bank of America, N.A.
TEFRA Hearing Date: August 15, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 101, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed Project is an existing 103-unit family complex that was built in 1997 and consists of two elevator-served four-story buildings with two levels of subterranean parking on 1.12 acres. It is comprised of 72 two-bedroom units, two of which are manager units and 31 three-bedroom units. The targeted population is large families. The two and three-bedroom units are restricted to families that meet 50% and 60% AMI eligibility. The project is expected to undergo extensive rehabilitation, both exterior and interior. Construction is expected to begin in December 2011, with completion estimated to be 12 months thereafter, or December 2012.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
21% (21 units) restricted to 50% or less of area median income households.
79% (80 units) restricted to 60% or less of area median income households.
Unit Mix: 2 & 3 bedrooms

The proposed Project will provide high-speed internet service in each unit of an on-going nature.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 19,204,000
Estimated Hard Costs per Unit: \$ 27,545 (\$2,782,000 /101 units)
Estimated per Unit Cost: \$ 190,139 (\$19,204,000 /101 units)
Allocation per Unit: \$ 103,960 (\$10,500,000 /101 units)
Allocation per Restricted Rental Unit: \$ 103,960 (\$10,500,000 /101 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 10,500,000	\$ 6,600,000
Tax-Exempt Bond Proceeds (B of A Earn-Out)	\$ 0	\$ 1,000,000
LIH Tax Credit Equity	\$ 1,390,000	\$ 5,532,000
Direct & Indirect Public Funds	\$ 5,269,000	\$ 5,500,000
Other (Costs Paid at Perm Loan Closing & Net Interim Inc.)	\$ 2,045,000	\$ 572,000
Total Sources	\$ 19,204,000	\$ 19,204,000

Uses of Funds:	
Acquisition Cost	\$ 11,570,000
Hard Construction Costs	\$ 2,782,000
Architect & Engineering Fees	\$ 161,000
Contractor Overhead & Profit	\$ 414,973
Developer Fee	\$ 2,000,000
Relocation	\$ 154,500
Cost of Issuance	\$ 191,500
Capitalized Interest	\$ 994,311
Other (Legal, Permits, TCAC Fees, etc.)	\$ 240,199
Hard Cost Contingency	\$ 322,247
Soft Cost Contingency	\$ 78,130
Operating & Debt Service Reserves	\$ 295,140
Total Uses	\$ 19,204,000

Description of Financial Structure and Bond Issuance:

The financial structure will be a Private Placement transaction through Bank of America, N.A. The project will be financed using tax-exempt bonds and low income housing tax credit equity. It is anticipated that the construction bonds will be structured in two tranches: a fixed-rate amount equal to \$6,100,000 and a floating rate amount equal to \$3,900,000, for a total bond issuance of \$10,000,000. The estimated interest rates for the Tranche A and Tranche B loans are 5.25% and 3.20% (30-day LIBOR or 0.20% plus 2.50% plus 0.50% cushion), respectively. The construction loan funds will be in place for approximately 18 months. The permanent bonds will be sized at \$7,100,000, which includes the original \$6,100,000 Tranche A loan plus an additional \$1,000,000 fixed rate permanent bond loan that will be sized based on the project achieving a 1.20 debt service coverage. As currently underwritten, the full \$7,100,000 permanent loan is achievable. The loans, which will be amortized over 30 years, are expected to bear interest at 5.25% fixed, with a term of 17 years. Upon completion of construction, the construction loan will be taken out by Century Housing Corporation Funds, 4% Low Income Housing Tax Credit Equity proceeds, and the Permanent Loan.

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:

65 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$10,500,000 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	0
Exceeding Minimum Income Restrictions:	35	15	30
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	10
Service Amenities	10	10	5
New Construction	10	10	0
Sustainable Building Methods	8	8	0
Negative Points	-10	-10	0
Total Points	118	98	65

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.