

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
November 16, 2011
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Annie Ong

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$4,900,000

Project Information:
Name: Wasco Arms Apartments
Project Address: 2617 Poso Drive
Project City, County, Zip Code: Wasco, Kern, 93280

Project Sponsor Information:
Name: Hampstead Wasco Arms Partners, L.P. (Hampstead Wasco Arms, LLC and Affordable Housing Solutions)
Principals: Hampstead Wasco Arms, LLC: Chris Foster, Jeff Jallo, and Greg Gossard
Affordable Housing Solutions: Wylie Allen, Bert Samuels, and Anthony Ranieri
Property Management Company: Edgewood Management Corporation

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Citibank, N.A.
TEFRA Hearing Date: October 4, 2011

Description of Proposed Project:
State Ceiling Pool: Rural
Total Number of Units: 77, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is a 78 unit acquisition and rehabilitation project consisting of 77 restricted units and 1 manager unit located in the City of Wasco. The unit mix is of 63 two-bedroom units and 14 three-bedroom units. The project will target families earning up to 60% of the area median income for Kern County. Much of the rehabilitation is to major systems and exterior items including new roofs, kitchen cabinet re-facing, and low flow fixture installation. According to the application, construction is slated to begin in late February or early March of 2012 with completion 12 months later in February of 2013.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

10% (8 units) restricted to 50% or less of area median income households.

90% (69 units) restricted to 60% or less of area median income households.

Unit Mix: 2 & 3 bedrooms

The Project will offer high-speed internet service.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	9,341,045	
Estimated Hard Costs per Unit:	\$	27,271	(\$2,099,864 /77 units)
Estimated per Unit Cost:	\$	121,312	(\$9,341,045 /77 units)
Allocation per Unit:	\$	63,636	(\$4,900,000 /77 units)
Allocation per Restricted Rental Unit:	\$	63,636	(\$4,900,000 /77 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 4,900,000	\$ 2,992,326
Deferred Developer Fee	\$ 151,540	\$ 151,540
LIH Tax Credit Equity	\$ 855,006	\$ 2,564,153
Direct & Indirect Public Funds	\$ 3,061,882	\$ 3,061,882
Property Income During Construction	\$ 372,617	\$ 372,617
Estimated Energy Subsidies	\$ 0	\$ 198,527
Total Sources	\$ 9,341,045	\$ 9,341,045

Uses of Funds:	
Land Purchase	\$ 4,205,000
Hard Construction Costs	\$ 2,099,864
Architect & Engineering Fees	\$ 158,480
Contractor Overhead & Profit	\$ 39,620
Developer Fee	\$ 981,220
Relocation	\$ 117,000
Cost of Issuance	\$ 321,080
Capitalized Interest	\$ 235,489
Other Soft Costs (Marketing, etc.)	\$ 1,183,292
Total Uses	\$ 9,341,045

Description of Financial Structure and Bond Issuance:

The Project will be financed using a private placement structure with Citibank as the lender providing the tax-exempt bonds. The proceeds from the issuance of \$4,900,000 in tax-exempt bonds will serve as both the permanent and construction loans. The construction term will be 12 months to completion and 3 months to stabilization with an option to extend up to 9 additional months. During construction the loan will be variable and based off of SIFMA plus 300 bps. The permanent loan will be amortized over 35 years from conversion and a carry a fixed rate currently estimated at 5.87%. An existing subordinate OAHOP (HUD) loan in the amount of \$3,061,900 will be assumed.

Analyst Comments:

Not Applicable

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: 60.5 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$4,900,000 in tax exempt bond allocation on a carryforward basis.

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	25
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	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.5
Service Amenities	10	10	5
New Construction	10	10	0
Sustainable Building Methods	8	8	8
Negative Points	-10	-10	0
Total Points	118	98	60.5

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.