

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 14, 2011
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$16,400,000

Project Information:
Name: Key Largo Apartment
Project Address: 380 North Mollison Avenue
Project City, County, Zip Code: El Cajon, San Diego, 92021

Project Sponsor Information:
Name: HPD Key Largo LP (Highland Property Development LLC and National Housing Corporation, Inc.)
Principals: Gary P. Downs, Kristoffer J. Kaufmann, William E. Rice and Douglas B. Day for Highland Property Development LLC and Stephen J. Margetic, Barry I. Pessin and Gary M. Da Prato for National Housing Corporation.
Property Management Company: National Housing Corporation

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: JP Morgan Chase Bank, NA
TEFRA Hearing Date: August 2, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 130, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family/Federally Assisted At-Risk

The Subject is an existing 132 unit Section 8 development and unrestricted development that consists of one, two, and three-bedroom units located in two-story garden-style residential buildings.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
10% (13 units) restricted to 50% or less of area median income households.
90% (117 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

Service Amenity: High- speed internet service in each unit of an ongoing nature.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 25,654,193
Estimated Hard Costs per Unit: \$ 35,538 (\$4,620,000 /130 units)
Estimated per Unit Cost: \$ 197,340 (\$25,654,193 /130 units)
Allocation per Unit: \$ 126,154 (\$16,400,000 /130 units)
Allocation per Restricted Rental Unit: \$ 126,154 (\$16,400,000 /130 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 16,400,000	\$ 16,400,000
Deferred Developer Fee	\$ 0	\$ 1,372,962
LIH Tax Credit Equity	\$ 6,170,773	\$ 7,881,231
Total Sources	\$ 22,570,773	\$ 25,654,193
Uses of Funds:		
Acquisition	\$ 15,250,000	
Rehabilitation Costs	\$ 5,340,720	
Relocation	\$ 30,000	
Architectural	\$ 50,000	
Survey & Engineering	\$ 22,500	
Contingency Costs	\$ 526,680	
Construction Period Expenses	\$ 638,000	
Permanent Financing Expenses	\$ 164,000	
Legal Fees	\$ 330,000	
Capitalized Reserves	\$ 534,300	
Reports & Studies	\$ 57,500	
Other (Marketing, etc.)	\$ 210,493	
Developer Costs	\$ 2,500,000	
Total Uses	\$ 25,654,193	

Description of Financial Structure and Bond

JP Morgan Chase Bank, NA is providing private placement bond financing for this transaction. The Construction/permanent financing structuring is the following: The construction loan shall be one-month LIBOR plus 3.00% multiplied by the Bank's tax exempt factor, adjusted monthly on a 360 day basis. The maturity of this loan is 18 months. The permanent loan shall be locked at the Construction closing. The Maturity Date for the loan will be 20 years from the date of recordation of the construction loan. The permanent loan term will be that portion of the 20 years remaining once permanent loan conversion occurs, not to exceed 18 years.

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 out of 128

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$16,400,000 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	10
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	5
Leveraging	10	10	0
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	128	108	60

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.