

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: Sarah Lester

Applicant: California Municipal Finance Authority

Allocation Amount Requested:

Tax-exempt: \$2,341,500

The amount of allocation requested is supplemental to the \$8,570,000 of allocation the Project received on July 20, 2011.

Project Information:

Name: Evergreen Apartments-1801 & 1823 E. 68th Street (sup)
Project Address: 1801 & 1823 E. 68th Street
Project City, County, Zip Code: Long Beach, Los Angeles, 90805

Project Sponsor Information:

Name: Evergreen Apartments, LP (Abode Communities)
Principals: Robin Hughes, Holly Benson and Rick Saperstein
Property Management Company: Abode Communities

Project Financing Information:

Bond Counsel: Quint & Thimmig LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Union Bank, N.A.
TEFRA Hearing Date: November 8, 2011

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 60, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is an Acquisition and Rehabilitation scattered site family project located in the City of Long Beach. It is comprised of three buildings, two located with one parcel between them and the third is approximately six (6) miles away from the other two. A separate application has been submitted for the third building. This application is for a 26-unit building located at 1801 E. 68th Street and a 36-unit building located at 1823 E. 68th Street. The project will serve a total of 60 low-income families earning between 50% and 60% of the area median income. The unit mix will be made up of 2- and 3-bedroom units. The rehabilitation will focus on the units, interior common spaces (laundry and community rooms), interior courtyards, and minor upgrades of the exteriors of the buildings. Rehabilitation is expected to begin in December 2011 and be completed by December 2012.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
55% (33 units) restricted to 50% or less of area median income households.
45% (27 units) restricted to 60% or less of area median income households.
Unit Mix: 2 & 3 bedrooms

The proposed project will contract with a bona fide service coordinator/social worker.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 19,659,048
Estimated Hard Costs per Unit: \$ 106,850 (\$6,411,025 /60 units)
Estimated per Unit Cost: \$ 327,651 (\$19,659,048 /60 units)
Allocation per Unit: \$ 181,858 (\$10,911,500 /60 units)
Allocation per Restricted Rental Unit: \$ 181,858 (\$10,911,500 /60 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 10,911,500	\$ 3,175,000
Developer Equity	\$ 76	\$ 76
LIH Tax Credit Equity	\$ 1,204,526	\$ 7,830,958
Direct & Indirect Public Funds	\$ 0	\$ 1,507,414
Other (Seller (ACH) Carryback Note, Def. Dev. Fee, Costs Deferred During Constr.)	\$ 7,542,946	\$ 7,145,600
Total Sources	\$ 19,659,048	\$ 19,659,048

Uses of Funds:	
Acquisition Cost	\$ 7,710,000
On & Off Site Costs	\$ 786,429
Hard Construction Costs	\$ 5,624,596
Architect & Engineering Fees	\$ 422,000
Contractor Overhead & Profit	\$ 903,884
Developer Fee	\$ 2,052,164
Relocation	\$ 231,000
Cost of Issuance	\$ 254,154
Capitalized Interest	\$ 450,000
Other Soft Costs (Marketing, etc.)	\$ 1,224,821
Total Uses	\$ 19,659,048

Description of Financial Structure and Bond Issuance:

Union Bank, N.A. has committed to purchase the construction period and permanent bonds directly for Evergreen Apartments. In a single transaction they will purchase the bonds for both project allocations: 1801-1823 E. 68th Street and 1528 N. Freeman Avenue. Union Bank will purchase the combined construction period bonds in the amount of \$13,541,500, which includes the bonds for 1801-1823 E. 68th Street (\$10,911,500) and for 1528 N. Freeman Avenue (\$2,630,000). The bonds are anticipated to close on December 16, 2011. Upon conversion to permanent financing, a portion of the construction bond proceeds will be redeemed from tax credit equity and funding from the City of Long Beach, and a combined permanent bond of \$4,537,600 will remain in place, which includes the bonds for 1801-1823 E. 68th Street (\$3,175,000) and for 1528 N. Freeman (\$1,362,600). The bonds will be secured by a first deed of trust; they will be recourse to the borrower during construction and non-recourse upon conversion. The construction period bonds will be variable rate during construction (190 bps plus 65% 30-Day, plus 100 bps for the capitalized interest reserve); the permanent bonds will be fixed upon conversion (Union Bank swap rate + 2.40%, which is currently 5.00%) and will amortize over 30 years, due and payable in year 16.

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.

Recommendation:

Staff recommends that the Committee approve \$2,341,500 in tax exempt bond allocation.