

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 21, 2012
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$10,100,000

Project Information:
Name: Villa Mirage Apartments
Project Address: 34-160 Rebecca Way
Project City, County, Zip Code: Rancho Mirage, Riverside, 92270

Project Sponsor Information:
Name: Hampstead Villa Mirage Partners, LP (Hampstead Villa Mirage, LLC and Affordable Housing Solutions)
Principals: Chris Foster, Jeff Jallo and Greg Gossard for Hampstead Villa Mirage, LLC; Emanuel DeFreitas, Wylie Allen and Bert Samuels for Affordable Housing Solutions
Property Management Company: U.S. Residential Group, LLC

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Hearing Date: February 16, 2012

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 97, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family/Federally Assisted At-Risk

The proposed project is an existing acquisition and rehabilitation project located in the City of Rancho Mirage in the County of Riverside. The development was originally constructed in 1987 and 1989, and consists of 23 two-story buildings with two- and three-bedroom units. The proposed project intends to continue serving large families. The project currently has two project-based Section 8 contracts (HAP) in place, covering all 98 units, with tenants paying 30 percent of their income towards rent. According the application, assuming a closing date within the second quarter of 2012 - for these purposes assume June 2012, then the start date for rehabilitation work would be immediately following closing - in July. The completion date is scheduled for June 2013. The rehabilitation is scheduled over 12 months from start to finish, with stabilization of three months to follow, if necessary.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
10% (10 units) restricted to 50% or less of area median income households.
90% (87 units) restricted to 60% or less of area median income households.
Unit Mix: 2 & 3 bedrooms

There will be no service amenities provided for the proposed project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 14,373,083
Estimated Hard Costs per Unit: \$ 28,289 (\$2,744,000 /97 units)
Estimated per Unit Cost: \$ 148,176 (\$14,373,083 /97 units)
Allocation per Unit: \$ 104,124 (\$10,100,000 /97 units)
Allocation per Restricted Rental Unit: \$ 104,124 (\$10,100,000 /97 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 10,100,000	\$ 8,611,291
Income During Construction	\$ 893,829	\$ 0
Developer Equity	\$ 1,970	\$ 893,829
LIH Tax Credit Equity	\$ 2,692,861	\$ 4,183,540
Direct & Indirect Public Funds	\$ 521,423	\$ 521,423
Other (Replacement Reserves)	\$ 163,000	\$ 163,000
Total Sources	\$ 14,373,083	\$ 14,373,083

Uses of Funds:	
Acquisition Cost	\$ 6,500,000
Hard Construction Costs	\$ 2,744,000
Architect & Engineering Fees	\$ 295,278
Contractor Overhead & Profit	\$ 219,520
Developer Fee	\$ 1,742,853
Relocation	\$ 147,000
Cost of Issuance	\$ 202,000
Capitalized Interest	\$ 589,147
Other Soft Costs (Marketing, etc.)	\$ 1,933,285
Total Uses	\$ 14,373,083

Description of Financial Structure and Bond Issuance:

The proposed project will be financial structured utilizing a private placement tax-exempt bond purchase with 4% tax credit equity. The private placement will be provided by Citibank, N.A. The proceeds from the tax-exempt bond issuance will serve as both the permanent and construction loans. A portion of the bonds totaling approximately \$1,488,709 will be structured as short-term bonds to be repaid by tax credit equity at stabilization. These bonds will in effect bridge the tax credit equity allowing for better pricing and are necessary in order to pass the 50% test. The construction term will be 21 months to completion. During construction the interest rate for the loan will be variable and based off of SIFMA plus 275 bps. The remaining \$8,611,291 will be converted to permanent non-recourse debt upon stabilization. The permanent loan will be amortized over 35 years from conversion and carry a fixed rate currently estimated at 5.80%.

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 \$10,100,000 in tax exempt bond allocation.

ATTACHMENT A

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	20
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	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	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.