

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 16, 2012
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: \$9,000,000

Project Information:
Name: Casa Velasco Apartments
Project Address: 4050 North Fruit Avenue
Project City, County, Zip Code: Fresno, Fresno, 93705

Project Sponsor Information:
Name: Casa Velasco Housing, LP (Casa Velasco Housing, LLC and NFWSC Housing Corporation)
Principals: Paul Chavez, Manuel Bernal, and Paul Park for both Casa Velasco Housing, LLC and NFWSC Housing Corporation
Property Management Company: Cesar Chavez Foundation

Project Financing Information:
Bond Counsel: Kutak Rock, LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Wells Fargo Bank, N.A.
TEFRA Hearing Date: October 27, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 148, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

Casa Velasco Apartments is a multi-family residential property with 150 units. It is comprised of 20 two-story wood frame and stucco structures, one single story manager's office, and one single story community building. The buildings were constructed in 1996. There are 70 two-bedroom units, 56 three-bedroom units, and 24 four-bedroom units, including two units that are set aside for employees. The Project also offers a swimming pool, playground, basketball court, a community room, covered parking, and a laundry room. The target population of the Project is large families. All of the units will be LIHTC-restricted and offered to households earning 50 and 60 percent of the AMI or below. The anticipated construction start of the renovation is September 2012 with a scheduled completion date of July 2013.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
41% (60 units) restricted to 50% or less of area median income households.
59% (88 units) restricted to 60% or less of area median income households.
Unit Mix: 2, 3 & 4 bedrooms

The Project will offer after school programs.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	16,595,689	
Estimated Hard Costs per Unit:	\$	23,086	(\$3,416,716 /148 units)
Estimated per Unit Cost:	\$	112,133	(\$16,595,689 /148 units)
Allocation per Unit:	\$	60,811	(\$9,000,000 /148 units)
Allocation per Restricted Rental Unit:	\$	60,811	(\$9,000,000 /148 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 9,000,000	\$ 6,814,000
Developer Equity	\$ 100	\$ 100
Deferred Developer Fee	\$ 1,775,747	\$ 0
LIH Tax Credit Equity	\$ 699,132	\$ 4,660,879
Other - Land Note	\$ 5,120,710	\$ 5,120,710
Total Sources	\$ 16,595,689	\$ 16,595,689

Uses of Funds:	
Land Purchase	\$ 9,955,500
On & Off Site Costs	\$ 263,500
Hard Construction Costs	\$ 3,153,216
Architect & Engineering Fees	\$ 150,000
Contractor Overhead & Profit	\$ 196,352
Developer Fee	\$ 2,236,823
Relocation	\$ 67,500
Cost of Issuance	\$ 287,950
Capitalized Interest	\$ 75,548
Other Soft Costs (Marketing, etc.)	\$ 209,300
Total Uses	\$ 16,595,689

Description of Financial Structure and Bond Issuance:

The Project will be funded by both credit enhancement and private placement. Wells Fargo Bank, N.A. will purchase tax-exempt private activity bonds for \$2,186,000. This will fund the construction period of 18 months. The loan shall bear interest at a rate per annum equal to 30-day LIBOR plus 260 basis points. While lender will attempt to maintain a construction period interest rate that preserves feasibility for the project and the bank, lender reserves the right to increase the spread over the 30-day LIBOR rate to reflect market conditions including the cost of funding during the term of the commitment. As of March 9, 2012, the rate is 2.84% tax exempt. Wells Fargo Bank, N.A. will also offer a credit enhancement for the permanent period in the amount of \$6,814,000. The permanent loan term is 16 year fixed rate bonds amortized for 35 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 120

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$9,000,000 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	35
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	10	10	0
Negative Points	-10	-10	0
Total Points	120	100	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.