

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 18, 2012
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:

Tax-exempt: \$4,000,000

Received \$23,000,000 in Allocation, December 13, 2006

Project Information:

Name: Rancho Seneca Apartments (aka Desert Springs Apts.)
Project Address: 14779 Seneca Road
Project City, County, Zip Code: Victorville, San Bernardino, 92392

Project Sponsor Information:

Name: Victorville/Desert Springs, LP (Housing Alternatives, Inc. and Affordable Multi-Family, LLC)

Principals: Elva L. Grant, Joseph Rios, Carmella Badalyan, Gary Shimotsu, Alice Castillo for Housing Alternatives, Inc.; Michael A. Costs, Robert W. Tetrault and Judy Dossen for Affordable Multi-Family, LLC

Property Management Company: ConAm management

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP

Underwriter: Not Applicable

Credit Enhancement Provider: Not Applicable

Private Placement Purchaser: Wells Fargo const./ CitiGroup Global Markets, Inc. perm.

TEFRA Hearing Date: June 5, 2012

Description of Proposed Project:

State Ceiling Pool: General

Total Number of Units: 201, plus 2 manager units

Type: New Construction

Type of Units: Family

This new construction project is located in the City of Victorville in San Bernardino County and is a 203-unit apartment complex with a tot lot, barbecue/picnic area, swimming pool and clubhouse. The clubhouse is composed of a community room, a lounge area with library, two offices, a storage room and a patio area. Surrounding land uses include single-family and multifamily residential, and commercial/retail. This project is designed to service low and very low-income families.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
38% (77 units) restricted to 50% or less of area median income households.
62% (124 units) restricted to 60% or less of area median income households.
Unit Mix: 2, 3 & 4 bedrooms

There are no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	56,710,017	
Estimated Hard Costs per Unit:	\$	150,163	(\$30,182,726 /201 units)
Estimated per Unit Cost:	\$	282,139	(\$56,710,017 /201 units)
Allocation per Unit:	\$	19,900	(\$4,000,000 /201 units)
Allocation per Restricted Rental Unit:	\$	19,900	(\$4,000,000 /201 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 27,000,000	\$ 10,358,996
MHTCP 51 LLC (Voluntary Loan)	\$ 7,928,459	\$ 12,613,372
Deferred Costs	\$ 5,313,915	\$ 0
Developer Note	\$ 0	\$ 2,480,000
LIH Tax Credit Equity	\$ 15,190,899	\$ 21,062,249
Direct & Indirect Public Funds	\$ 0	\$ 8,954,091
Interest Income and Insurance Proceeds	\$ 1,276,744	\$ 1,241,309
Total Sources	\$ 56,710,017	\$ 56,710,017

Uses of Funds:	
Acquisition/Land Purchase	\$ 446,470
New Construction Costs	\$ 33,998,774
Architectural	\$ 215,145
Survey & Engineering	\$ 200,000
Contingency Costs	\$ 317,948
Construction Period Expenses	\$ 12,544,890
Permanent Financing Expenses	\$ 958,053
Legal Fees	\$ 319,932
Capitalized Reserves	\$ 352,457
Reports & Studies	\$ 19,234
Other (Marketing, etc.)	\$ 4,686,649
Developer Costs	\$ 2,650,465
Total Uses	\$ 56,710,017

Description of Financial Structure and Bond Issuance:

Construction for the project is about 85% complete; therefore the construction period sources are already in place and funded. Wells Fargo acts as the Trustee for the bonds and disburses the funds based on each draw or requisition submitted. The Construction loan secured by a Deed of Trust; the guarantees provided were completion, repayment and interest carry. Citibank has committed to be the permanent lender. Permanent Loan Term 15 years following conversion; Amortization Period will be 35 years with an Interim Period Interest Rate of 7.5% plus any applicable issuer and trustee fees.

Analyst Comments:

\$23,000,000 in Bonds were issued in December of 2006. Construction is 85% complete and 100% of the Bond proceeds have been disbursed. However, based on increases in general construction costs and carrying costs related to schedule delays, the overall development budget has experienced a significant and material increase. As a result, less than 50% of the adjusted basis is financed with bond proceeds (50% test). The ongoing feasibility of the development is based on its ability to maximize the tax credit equity proceeds; the increased bonds will allow the Partnership to avoid a reduction in eligible basis and tax credit equity.

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: 67.5 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$4,000,000 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	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	2.5
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	67.5

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.