

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE  
September 26, 2012  
Staff Report  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A  
QUALIFIED RESIDENTIAL RENTAL PROJECT**

Prepared by: Annie Ong

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**Applicant:** Housing Authority of the County of San Bernardino

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**Allocation Amount Requested:**  
**Tax-exempt:** \$18,000,000

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**Project Information:**  
**Name:** Valencia Grove Apartments (formerly Lugonia Avenue Apartments)  
**Project Address:** 131 East Lugonia Avenue  
**Project City, County, Zip Code:** Redlands, San Bernardino, 92374

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**Project Sponsor Information:**  
**Name:** To Be Determined (Housing Partners I, Inc. and Housing Authority of the County of San Bernardino)  
**Principals:** Housing Partners I, Inc.: John C. McGrath, Patricia Nickols, and Susan Benner  
Housing Authority of the County of San Bernardino: Frank Williams and George Guerrero  
**Property Management Company:** Housing Authority of the County of San Bernardino

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**Project Financing Information:**  
**Bond Counsel:** Stradling, Yocca, Carlson & Rauth  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** JPMorgan Chase Bank, N.A.  
**TEFRA Hearing Date:** February 7, 2012

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 84, plus 1 manager unit  
**Type:** New Construction  
**Type of Units:** Family

The Lugonia Avenue Apartments will offer 85 units, with 27 units at 50% AMI, 57 units at 60% AMI, and 1 manager unit. The site will be within close proximity to public transit, groceries, and public schools. The current site will require demolition of apartments that were built in the 1940s and 1960s. These complexes lacked funding for improvements and maintenance and the retention of these buildings would not be in the best interest of the community.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
32% (27 units) restricted to 50% or less of area median income households.  
68% (57 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 1, 2, 3 & 4 bedrooms

Service amenities will not be offered.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

**Estimated Total Development Cost:** \$ 30,640,898  
**Estimated Hard Costs per Unit:** \$ 257,312 (\$21,614,213 /84 units)  
**Estimated per Unit Cost:** \$ 364,773 (\$30,640,898 /84 units)  
**Allocation per Unit:** \$ 214,286 (\$18,000,000 /84 units)  
**Allocation per Restricted Rental Unit:** \$ 214,286 (\$18,000,000 /84 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 18,000,000	\$ 10,400,000
Deferred Developer Fee	\$ 0	\$ 1,565,482
LIH Tax Credit Equity	\$ 2,500,000	\$ 12,225,507
Direct & Indirect Public Funds	\$ 1,850,000	\$ 1,850,000
Other-GP Loan	\$ 4,600,000	\$ 4,600,000
Other (Post Construction Sources)	\$ 3,690,989	\$ 0
<b>Total Sources</b>	<b>\$ 30,640,989</b>	<b>\$ 30,640,989</b>

<b>Uses of Funds:</b>	
On & Off Site Costs	\$ 7,959,420
New Construction Costs	\$ 13,654,793
Architect & Engineering Fees	\$ 621,050
Contractor Overhead & Profit	\$ 1,484,393
Developer Fee	\$ 2,500,000
Cost of Issuance	\$ 250,000
Capitalized Interest	\$ 434,230
Other Soft Costs (Marketing, etc.)	\$ 3,737,103
<b>Total Uses</b>	<b>\$ 30,640,989</b>

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**Description of Financial Structure and Bond Issuance:**

The Project is funded by private tax-exempt bonds purchased by JPMorgan Chase Bank, NA. The applicable interest rate for the construction loan shall be one-month LIBOR plus 3.00% multiplied by the Bank's tax exempt factor (currently .72), adjusted monthly on a 360 day basis. Maturity is 24 months. The permanent loan interest rate shall be locked at construction loan closing. The rate, if the loan were to be funded today, would be approximately 5.00%. Amortization is 30 years. Maturity date will be 20.5 years from the date of recordation of the construction loan. The permanent loan will be that portion of the 20.5 years remaining once permanent loan conversion occurs, not to exceed 18.5 years.

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**Analyst Comments:**

Not Applicable

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**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.

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**Total Points:** 76.1 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$18,000,000 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]	10
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	3.6
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.5
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>76.1</b>

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.