

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
November 14, 2012
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Crystal Alvarez

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$8,500,000

Project Information:
Name: Palo Verde Apartments
Project Address: 44720 Palo Verde Street
Project City, County, Zip Code: Indio, Riverside, 92201

Project Sponsor Information:
Name: PVI Apartments, LP (PVI Apartments MGP, LLC and PVI Apartments COGP, LLC)
Principals: Johnathan B. Webb and William W. Hirsch of Affordable Housing Access, Inc. sole member of the PVI Apartments MGP, LLC; Mark E. Hyatt, Paul Fruchbom, Chris Burns, Kathy Leah and Heidi K. Bass for PVI Apartments COGP, LLC
Property Management Company: VPM Management Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Citibank, N.A.
TEFRA Hearing Date: August 15, 2012

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 73, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The Palo Verde Apartments Project is located in the City of Indio and sits on 5.85 acres. The complex was originally constructed in 1969 and consists of ten two-story garden-style buildings. The Project offers 40 two-bedroom units and 40 three-bedroom units including one three-bedroom manager's unit. The Palo Verde Apartments provides two central laundry facilities, picnic area, playground, on-site manager's office and off-street parking. Renovations for each unit will include the replacement of front doors, appliances, heating and air-conditioning, water heaters, new carpeting and vinyl, and new paint throughout each unit. The exterior of the building will be renovated to repair deferred maintenance to replace all roofs, front doors, perimeter masonry wall, reseal asphalt, install outdoor community patio furniture and BBQ's, make electrical repairs, upgrade irrigation and install a new playground.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
11% (8 units) restricted to 50% or less of area median income households.
89% (65 units) restricted to 60% or less of area median income households.
Unit Mix: 2 & 3 bedrooms

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 11,324,098	
Estimated Hard Costs per Unit:	\$ 21,519	(\$1,570,858 /73 units)
Estimated per Unit Cost:	\$ 155,125	(\$11,324,098 /73 units)
Allocation per Unit:	\$ 116,438	(\$8,500,000 /73 units)
Allocation per Restricted Rental Unit:	\$ 116,438	(\$8,500,000 /73 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 8,500,000	\$ 7,353,000
Deferred Developer Fee	\$ 0	\$ 474,641
LIH Tax Credit Equity	\$ 926,522	\$ 3,063,399
Other (Project Cash Flow)	\$ 372,593	\$ 433,058
Total Sources	\$ 9,799,115	\$ 11,324,098

Uses of Funds:	
Acquisition/Land Purchase	\$ 7,000,000
Hard Construction Costs	\$ 1,570,858
Architect & Engineering Fees	\$ 18,500
Contractor Overhead & Profit	\$ 134,645
Developer Fee	\$ 1,324,448
Cost of Issuance	\$ 500,210
Capitalized Interest	\$ 440,252
Other Soft Costs (Marketing, etc.)	\$ 335,185
Total Uses	\$ 11,324,098

Description of Financial Structure and Bond Issuance:

The tax-exempt bond allocation will be privately placed with Citibank, N.A. The construction loan will have a term of 24 months, plus one 6-month extension, with interest only payments during construction. The interest rate will be based on the sum of a 17-year maturity "AAA" bond rates as published by Thomson Municipal Market Monitor ("MMD") plus a spread of 2.25%. Currently, MMD is 2.33% for a current indicated rate of 4.58%. The permanent loan will bear the same interest rate structure with a 17-year maturity and amortization of 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:

63 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$8,500,000 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	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	5
Leveraging	10	10	0
Community Revitalization Area	15	15	15
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	3
Negative Points	-10	-10	0
Total Points	130	100	63

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.