

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: Sarah Lester

Applicant: California Municipal Finance Authority

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

Project Information:
Name: Los Robles Apartments
Project Address: 1475 Oak Drive
Project City, County, Zip Code: Vista, San Diego, 92084

Project Sponsor Information:
Name: Foothill Oak Housing Associates, LP (Foothill Oak, LLC)
Principals: Sue Reynolds, Anne B. Wilson, Tom Carter and Karen Bucey
Property Management Company: ConAm Management Corporation

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Firm
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Union Bank, N.A.
TEFRA Hearing Date: October 9, 2012

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 75, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is an existing 39 year old development consisting of 76 family units on a 4.36 acre site in the City of Vista, CA. The site includes 12 two-story buildings of one, two and three bedroom apartments. The apartments will be affordable to low-income families earning between 50% and 60% of the Area Median Income. Residential improvements include new kitchen cabinets, countertops, Energy Star appliances, bathroom appliances, interior flooring, hard-wired smoke detectors, new energy efficient windows, and a new roof. Solar domestic hot water and a solar photovoltaic system will also be installed, which will increase energy efficiency and therefore lowering operating costs. Site improvements include an expanded community building which will contain an office, community room with kitchen, learning center/computer room, and restroom(s). Landscaping improvements will also be included. The project expects to start construction in January 2013 and be completed in October 2013.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
31% (23 units) restricted to 50% or less of area median income households.
69% (52 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

The proposed project will include after school programs for 10 hours per week and a bona fide service coordinator/social worker.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 17,311,436
Estimated Hard Costs per Unit: \$ 61,919 (\$4,643,941 /75 units)
Estimated per Unit Cost: \$ 230,819 (\$17,311,436 /75 units)
Allocation per Unit: \$ 133,333 (\$10,000,000 /75 units)
Allocation per Restricted Rental Unit: \$ 133,333 (\$10,000,000 /75 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 10,000,000	\$ 5,210,000
Developer Equity	\$ 0	\$ 405,000
LIH Tax Credit Equity	\$ 286,322	\$ 5,726,436
Refunds	\$ 0	\$ 90,000
Other (Seller Note / Deferred Costs)	\$ 7,025,144	\$ 5,880,000
Total Sources	\$ 17,311,466	\$ 17,311,436

Uses of Funds:	
Acquisition/Land Purchase	\$ 6,355,000
On & Off Site Costs	\$ 436,435
Hard Construction Costs	\$ 4,207,506
Architect & Engineering Fees	\$ 323,400
Contractor Overhead & Profit	\$ 710,555
Developer Fee	\$ 1,891,810
Relocation	\$ 463,600
Cost of Issuance	\$ 109,982
Capitalized Interest	\$ 316,551
Other Soft Costs (Marketing, etc.)	\$ 2,496,597
Total Uses	\$ 17,311,436

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by Union Bank, N.A. The tax-exempt bonds will be issued by the California Municipal Housing Finance Authority. During the 15-month construction term, the bonds will carry a variable interest rate (uncapped) based on a 30-day LIBOR index (trailing average) plus 250 bps. The permanent phase will carry a fixed interest rate on the swap, and a 30-year amortization period on a 18 year loan term. At loan closing, the interest rate on the Loan during the permanent loan period must be hedged with a forward starting interest rate swap acceptable to Union Bank. At the time of the commitment letter, the indicative swap from the bank was 5.00% comprised of 65% LIBOR rate plus 350 basis points. This rate is subject to change due to market conditions until the swap is confirmed.

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: 62.8 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$10,000,000 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]	5.3
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	7.5
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	62.8

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.