

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 13, 2013
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: \$8,700,000

Project Information:
Name: Chestnut Apartments
Project Address: 4825 E Fillmore Avenue
Project City, County, Zip Code: Fresno, Fresno, 93727

Project Sponsor Information:
Name: Chestnut Family Apartments L.P. (Deep Green Housing & Community Development and APEC Development, LLC)
Principals: JoAnne Yokota, Zoe Ellas, Diana Rogers for Deep Green Housing and Community Development and Eugene Kim, Keely Hahn, Constantino Lanza, Darius McGee, Lefeba Gougis and Sean Yun for APEC.
Property Management Company: Deep Green Property Management, LLC

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: BBCN Bank
TEFRA Hearing Date: February 7, 2013

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 89, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family/Federally Assisted At-Risk

Chestnut Apartments is located on a 3.9 acre site and was built in 1983. There are a total of 90 apartments including the manager's unit. All the floor plans include central heat, air conditioning, hot water heaters, private balconies or patios and are separately metered for gas and electricity. Each unit has been evaluated. Carpeting, hard flooring appliances, kitchen cabinets and bathroom vanities will be refurbished or replaced as needed. Bathtubs and fixtures will be refurbished or replaced, new GCFI outlets will be installed in kitchen and bathrooms as needed and new smoke/ carbon monoxide detectors will be installed. Individual heating and cooling pumps and hot water heaters will be replaced or serviced. After a solar system installation is complete, the owners will be responsible for all electric service to the site and the tenants will no longer have to pay individual electric bills. Site also features a controlled access, two laundry rooms and walking paths.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
49% (44 units) restricted to 50% or less of area median income households.
51% (45 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

There are no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 11,564,382
Estimated Hard Costs per Unit: \$ 24,582 (\$2,187,810 /89 units)
Estimated per Unit Cost: \$ 129,937 (\$11,564,382 /89 units)
Allocation per Unit: \$ 97,753 (\$8,700,000 /89 units)
Allocation per Restricted Rental Unit: \$ 97,753 (\$8,700,000 /89 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 8,700,000	\$ 6,511,788
LIH Tax Credit Equity	\$ 944,161	\$ 3,147,203
PG&E -Solar Rebate	\$ 653,107	\$ 653,107
Net Operating Income	\$ 355,000	\$ 355,000
Other (Deferred Costs and Dev. Fee)	\$ 912,114	\$ 897,284
Total Sources	\$ 11,564,382	\$ 11,564,382

Uses of Funds:	
Acquisition/Land Purchase	\$ 5,475,000
Rehabilitation Costs	\$ 2,648,500
Relocation	\$ 180,000
Architectural	\$ 60,000
Survey & Engineering	\$ 30,000
Contingency Costs	\$ 422,575
Construction Period Expenses	\$ 691,778
Permanent Financing Expenses	\$ 140,236
Legal Fees	\$ 175,000
Capitalized Reserves	\$ 369,370
Reports & Studies	\$ 37,500
Other	\$ 120,600
Developer Costs	\$ 1,213,823
Total Uses	\$ 11,564,382

Description of Financial Structure and Bond Issuance:

This is a BBCN Bank Private Placement transaction. BBCN will providing the construction loan as well as the permanent loan. The construction loan period will carry a 1% over WS Prime with 4.50% floor rate. The permanent period loan will have a term of 35 years and an amortization of 35 years. The interest rate will be a 4% fixed rate with a 1.15 DCR.

Analyst Comments:

At-Risk Project.

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 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$8,700,000 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	10
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	0
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	110	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.