

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 15, 2013
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Leslie Campaz

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$76,000,000

Project Information:
Name: Calden Apartments
Project Address: 8901 Calden Avenue
Project City, County, Zip Code: South Gate, Los Angeles, 90280

Project Sponsor Information:
Name: South Gate Pacific Associates, LP (TELACU Homes, Inc.; TPC Holdings V, LLC)
Principals: John Clem for TELACU Homes, Inc.; Caleb Roope for TPC Holdings V, LLC
Property Management Company: Barker Management Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe, LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Red Stone Financial LLC
TEFRA Hearing Date: March 26, 2013

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 214, plus 2 manager units
Type: New Construction
Type of Units: Family

The proposed project is a 216 unit rental new construction project named Calden Court Apartments located on approximately 5.0 acres of vacant land in the City of South Gate, County of Los Angeles. The unit mix is comprised of 71 two-bedroom units, 115 three-bedroom units, and 30 four-bedroom units. The proposed project will target families earning up to 60% of the area median income for Los Angeles County. The project will include approximately 5,000 square feet of community facilities. These facilities will consist of a centrally located leasing and accounting office, maintenance room, computer learning center, laundry facilities, community kitchen, exercise room and a large multi-use room.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
10% (22 units) restricted to 50% or less of area median income households.
90% (192 units) restricted to 60% or less of area median income households.
Unit Mix: 2, 3 & 4 bedrooms

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 85,595,573
Estimated Hard Costs per Unit: \$ 322,587 (\$69,033,712 /214 units)
Estimated per Unit Cost: \$ 399,979 (\$85,595,573 /214 units)
Allocation per Unit: \$ 355,140 (\$76,000,000 /214 units)
Allocation per Restricted Rental Unit: \$ 355,140 (\$76,000,000 /214 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 76,000,000	\$ 50,500,000
LIH Tax Credit Equity	\$ 6,032,489	\$ 35,095,573
Def Costs and DDF	\$ 3,563,084	\$ 0
Total Sources	\$ 85,595,573	\$ 85,595,573
Uses of Funds:		
Acquisition/Land Purchase	\$ 2,105,000	
On & Off Site Costs	\$ 4,820,000	
Hard Construction Costs	\$ 64,213,712	
Architect & Engineering Fees	\$ 600,000	
Contractor Overhead & Profit	\$ 3,205,520	
Developer Fee	\$ 2,500,000	
Cost of Issuance	\$ 1,143,826	
Capitalized Interest	\$ 1,100,000	
Other Soft Costs (Marketing, etc.)	\$ 5,907,515	
Total Uses	\$ 85,595,573	

Description of Financial Structure and Bond Issuance:

This is a private placement bond transaction with the bonds being purchased by Red Stone Financial. LLC ("the Bank") will purchase a total of \$76,000,000 in tax-exempt bonds, \$24,500,000 of which will be construction to permanent Series A bonds and \$25,000,000 of which will be for construction only Series B bonds. Concurrent with stabilization of the project, the \$24,000,000 in Series A bonds will convert to a long-term permanent source with an interest rate of 5.25%. The term of the permanent loan will be for 17 years whti a 35-year amortization period. Similarly, the \$26,000,000 in Series C bonds will convert to permanant phase with an interest rate of 1% and a 40-year term, with payments based on a 75% share of project cash flow.

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:

70 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$76,000,000 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	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	10
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	70

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.