

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 17, 2013
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: California Affordable Housing Agency

Allocation Amount Requested:
Tax-exempt: \$9,823,000

Project Information:
Name: Orange Tree Senior Apartments
Project Address: 1511 Robinson Street
Project City, County, Zip Code: Oroville, Butte, 95965

Project Sponsor Information:
Name: Orange Tree Senior Apartments, LP (Petaluma Ecumenical Properties and Caulfield Lane Senior Housing, Inc.)
Principals: Richard Rodkin, Arthur Cooper, David E. Schmidt, Mary Savage and Mary Stompe
Property Management Company: Petaluma Ecumenical Properties (aka PEP)

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Wells Fargo Bank, N.A.
TEFRA Hearing Date: September 18, 2012

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 49, plus 1 manager unit
Type: New Construction
Type of Units: Senior Citizens

The proposed project will be a new construction affordable senior housing project situated on a 1.53 acre site located in the central area of the City of Oroville. The site is generally flat and L-shaped. The project will consist of two apartment buildings with 49 one-bedroom apartments, approximately 634 square feet each in size with a 43 square foot private patio or balcony for each. There will be a 2,937 square foot common building with 2,097 ground floor square feet, featuring a full kitchen, community space, computer room, manager's office and a supportive services office. The common building second level will consist of a manager's unit approximately 863 square feet in size with two balconies. Each building will have a 308 square foot laundry facility co-located with the elevator and exterior walkways, which connect the ground, second and third floors. Construction is scheduled to begin in June of 2013 and completed by June 2014.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (49 units) restricted to 50% or less of area median income households.
Unit Mix: 1 bedroom

The proposed project will include a bona fide service coordinator/social worker.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

| | | |
|---|---------------|------------------------------------|
| Estimated Total Development Cost: | \$ 13,395,648 | |
| Estimated Hard Costs per Unit: | \$ 140,332 | (\$6,876,285 /49 units) |
| Estimated per Unit Cost: | \$ 273,381 | (\$13,395,648 /49 units) |
| Allocation per Unit: | \$ 200,469 | (\$9,823,000 /49 units) |
| Allocation per Restricted Rental Unit: | \$ 200,469 | (\$9,823,000 /49 restricted units) |

| Sources of Funds: | Construction | Permanent |
|---|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 9,823,000 | \$ 0 |
| Developer Equity | \$ 0 | \$ 10,000 |
| LIH Tax Credit Equity | \$ 711,177 | \$ 4,734,798 |
| Direct & Indirect Public Funds | \$ 1,075,000 | \$ 8,597,100 |
| Other (costs def to perm loan closing & accrued/deferred interest on City Loan) | \$ 1,786,471 | \$ 53,750 |
| Total Sources | \$ 13,395,648 | \$ 13,395,648 |

| Uses of Funds: | |
|------------------------------------|----------------------|
| Acquisition/Land Purchase | \$ 265,000 |
| On & Off Site Costs | \$ 947,027 |
| Hard Construction Costs | \$ 5,929,258 |
| Architect & Engineering Fees | \$ 643,660 |
| Contractor Overhead & Profit | \$ 578,325 |
| Developer Fee | \$ 1,388,312 |
| Cost of Issuance | \$ 273,104 |
| Capitalized Interest | \$ 423,291 |
| Other Soft Costs (Marketing, etc.) | \$ 2,947,671 |
| Total Uses | \$ 13,395,648 |

Description of Financial Structure and Bond Issuance:

The proposed project will be a private placement transaction provided by Wells Fargo Bank, N.A. (the "Bank"). The bonds will be issued by the California Affordable Housing Agency. The Bank will purchase the tax-exempt bonds directly and will become the "Holder" of the bonds by virtue of the purchase. In exchange, during the development phase of the project, the Bank extends to the Borrower/Developer a variable non-bank qualified tax-exempt rate of interest. The loan shall bear interest at a rate per annum equal to 1.60% above the Bank's quoted one month LIBOR Rate, and is an indicative rate if the loan were to close as of the date of the commitment. The loan shall mature 20 months after the recordation of the deed of trust securing the loan. There will be no permanent tax-exempt debt on the project. The bonds will be fully paid down upon conversion to permanent financing. There shall be two (2) options of three (3) months each to extend the loan. Closing is expected to occur in June 2013.

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: 82.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$9,823,000 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] | 0 |
| Gross Rents | 5 | 5 | 5 |
| Large Family Units | 5 | 5 | 0 |
| Leveraging | 10 | 10 | 10 |
| Community Revitalization Area | 15 | 15 | 0 |
| Site Amenities | 10 | 10 | 7.5 |
| Service Amenities | 10 | 10 | 5 |
| New Construction | 10 | 10 | 10 |
| Sustainable Building Methods | 10 | 10 | 10 |
| Negative Points | -10 | -10 | 0 |
| Total Points | 130 | 100 | 82.5 |

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.