

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: Housing Authority of the County of Kern

Allocation Amount Requested:
Tax-exempt: \$3,000,000

Project Information:
Name: Tulare Arms Apartments
Project Address: 225 West Tulare Avenue
Project City, County, Zip Code: Shafter, Kern, 93263

Project Sponsor Information:
Name: GEAHI Tulare Arms LP (Golden Empire Affordable Housing, Inc., II and DFA Development, LLC)
Principals: Randy M. Coats for Golden Empire Affordable Housing, Inc., II and Daniel Fred for DFA Development, LLC
Property Management Company: Valley Fair Realty

Project Financing Information:
Bond Counsel: Best Best & Krieger
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: PNC Real Estate (constr. only)
TEFRA Hearing Date: April 16, 2013

Description of Proposed Project:
State Ceiling Pool: Rural
Total Number of Units: 47, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is an existing 48 (47 restricted plus 1 manager unit) unit property located in the City of Shafter in the County of Kern. The project is situated on 3.67 acres and is comprised of four wood framed two story buildings. One of the buildings will house the laundry facilities and office. The unit configuration includes 16 two-bedroom units (one of which will be for the on-site manager) and 32 three-bedroom units. The targeted population will be families with incomes no greater than 60% of the Area Median Income. The property also offers on-site parking. According to the application, there is a significant amount of rehabilitation work required due to deferred maintenance of the property. The work itself includes site work, building exterior and unit interior work. Construction is estimated to start in October 2013 and be completed by August 2013.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

32% (15 units) restricted to 50% or less of area median income households.

68% (32 units) restricted to 60% or less of area median income households.

Unit Mix: 2 & 3 bedrooms

No services amenited will be included for this project

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 5,133,780	
Estimated Hard Costs per Unit:	\$ 32,645	(\$1,534,303 /47 units)
Estimated per Unit Cost:	\$ 109,229	(\$5,133,780 /47 units)
Allocation per Unit:	\$ 63,830	(\$3,000,000 /47 units)
Allocation per Restricted Rental Unit:	\$ 63,830	(\$3,000,000 /47 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 3,000,000	\$ 0
Taxable Bond Proceeds	\$ 0	\$ 2,150,000
Deferred Developer Fee	\$ 0	\$ 51,313
Developer Equity	\$ 0	\$ 76,000
LIH Tax Credit Equity	\$ 265,693	\$ 1,328,467
Direct & Indirect Public Funds	\$ 1,128,000	\$ 1,528,000
Other (Post Rehab Sources & Reserves)	\$ 740,087	\$ 0
Total Sources	\$ 5,133,780	\$ 5,133,780

Uses of Funds:	
Acquisition/Land Purchase	\$ 1,584,000
On & Off Site Costs	\$ 101,378
Hard Construction Costs	\$ 1,432,925
Architect & Engineering Fees	\$ 75,000
Contractor Overhead & Profit	\$ 214,803
Developer Fee	\$ 588,640
Relocation	\$ 30,000
Cost of Issuance	\$ 60,000
Capitalized Interest	\$ 84,000
Other Soft Costs (Marketing, etc.)	\$ 963,034
Total Uses	\$ 5,133,780

Description of Financial Structure and Bond Issuance:

The proposed project will be a private placement transaction provided by PNC Real Estate ("Bond Purchaser"). It will be a construction only loan. The project will carry no permanent tax-exempt debt. The bonds will be issued by the Housing Authority of the County of Kern in two tranches. Tranche A will be for no greater amount than \$2,150,000 and Tranche B will be for no greater amount than \$850,000. The construction loan will be for \$3,000,000 and have a construction loan period of 24 months with one six-month extension for both issues. The interest rate for the bonds shall be daily LIBOR plus 300 basis points floating and shall be set upon execution of a Bond Purchase Agreement (BPA). The BPA will be entered into between the GEACHI Tulare Arms LP ("Borrower") and the Bond Purchaser on or before the closing date of the Bonds and Loan. The tax-exempt bonds will be paid down with a USDA-RD loan and Low Income Housing Tax Credit Equity.

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: 61.8 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$3,000,000 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]	5.8
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	6
Negative Points	-10	-10	0
Total Points	130	100	61.8

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.