

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: Richard Fischer

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$5,010,000

Project Information:
Name: Westside Village Apartments
Project Address: 550-598 Santa Maria Wy.; 304-478 Arroyo Seco Ave.; 310-479 Mesa Verde Ave; 324-480 Tulare Ave.; 503-595 Vera Cruz
Project City, County, Zip Code: Shafter, Kern, 93263

Project Sponsor Information:
Name: Westside Shafter AR, L.P. (Western Community Housing, Inc. and HCHP Affordable Multi-Family, LLC)
Principals: Graham Espley-Jones, Sandy Gibbons & Leanne Troufreh for Western Community Housing, Inc.; Michael A. Costa, Robert W. Tetrault, Thomas E. Erickson, & Judy Dossen for HCHP Affordable Multi-Family, LLC
Property Management Company: ConAm Management Corporation

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: America First Tax Exempt Investors, L.P.
TEFRA Hearing Date: June 6, 2013

Description of Proposed Project:
State Ceiling Pool: Rural
Total Number of Units: 80, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

Westside Village is located in Shafter, Kern County. It is situated on 11.8 acres. There are 41 three-bedroom two bath and 40 four-bedroom two bath homes. A community building is located within the site where the management offices, computer center, multipurpose room, storage areas, kitchen facilities and a community laundry room. All the homes have fully equipped kitchens, central air and heating and maintained front and back landscaping. Rehabilitation is expected to begin in the first quarter of 2014 with completion scheduled for the third quarter of 2014.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (80 units) restricted to 50% or less of area median income households.
Unit Mix: 3 & 4 bedrooms

No service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

| | | | |
|---|----|-----------|------------------------------------|
| Estimated Total Development Cost: | \$ | 7,191,260 | |
| Estimated Hard Costs per Unit: | \$ | 10,662 | (\$852,930 /80 units) |
| Estimated per Unit Cost: | \$ | 89,891 | (\$7,191,260 /80 units) |
| Allocation per Unit: | \$ | 62,625 | (\$5,010,000 /80 units) |
| Allocation per Restricted Rental Unit: | \$ | 62,625 | (\$5,010,000 /80 restricted units) |

| Sources of Funds: | <u>Construction</u> | <u>Permanent</u> |
|--|---------------------|---------------------|
| Tax-Exempt Bond Proceeds | \$ 5,010,000 | \$ 4,814,251 |
| Developer Equity | \$ 0 | \$ 598,750 |
| LIH Tax Credit Equity | \$ 1,228,007 | \$ 1,747,878 |
| Other (Cost paid at perm closing & Income) | \$ 953,253 | \$ 30,381 |
| Total Sources | \$ 7,191,260 | \$ 7,191,260 |

| Uses of Funds: | |
|------------------------------------|---------------------|
| Acquisition/Land Purchase | \$ 5,010,000 |
| Hard Construction Costs | \$ 852,930 |
| Architect & Engineering Fees | \$ 39,500 |
| Contractor Overhead & Profit | \$ 113,400 |
| Developer Fee | \$ 789,972 |
| Cost of Issuance | \$ 52,000 |
| Capitalized Interest | \$ 120,650 |
| Other Soft Costs (Marketing, etc.) | \$ 212,808 |
| Total Uses | \$ 7,191,260 |

Description of Financial Structure and Bond Issuance:

The proposed project will be a private placement transaction with two series of bonds (Senior and subordinate) provided by America First Tax Exempt Investors, LP ("Bond Purchaser"). The bonds will be issued by the California Statewide Communities Development Authority. Proceeds from the Bonds shall be used to fund a portion of the acquisition and rehabilitation. The Fund will not require guarantees on the Bonds. The construction term will be for 24 months with interest only payments. The permanent financing loan (Senior Bonds) will have a maturity of up to 40 year with an amortization period of 35 years. The interest rate on the Senior Bonds, as underwritten, is proposed to be 5.25% fixed rate. The Fund reserves its' rights to revisit the rate based on market conditions at the time of closing. There will be a one-time redemption to balance the Senior Bonds to meet the lesser of 85% loan-to-value of 1.15% debt coverage.

Analyst Comments:

Negative points assessed due to a past project, The Horizons at Olive Street Apartments. Should the board approve a Waiver of Negative Points, the project score will be revised to 65 points.

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: 55 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$5,010,000 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] | 10 |
| 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 | 10 |
| Service Amenities | 10 | 10 | 0 |
| New Construction | 10 | 10 | 0 |
| Sustainable Building Methods | 10 | 10 | 0 |
| Negative Points | -10 | -10 | -10 |
| Total Points | 130 | 100 | 55 |

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.