

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 Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$10,500,000

Project Information:
Name: Andres Duarte Terrace II Apartments
Project Address: 1700 Huntington Drive
Project City, County, Zip Code: Duarte, Los Angeles, 91010

Project Sponsor Information:
Name: Andres Duarte Terrace II, LP (Andres Duarte Terrace II, LLC)
Principals: John H. Cochrane, III, Daniel S. Ogus, David L. Pierce and Benjamin F. Beckler, III
Property Management Company: be.group

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A. (constr. only) / HUD 202
TEFRA Hearing Date: May 28, 2013

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 42, plus 1 manager unit
Type: New Construction
Type of Units: Senior Citizens

The proposed project is a new construction HUD 202 affordable senior housing project located in the City of Duarte in the County of Los Angeles. It will be designed as a four-story wood framed building that will consist of one (1) two-bedroom manager unit and 42 one-bedroom affordable units restricted to tenants 62+ years of age with household incomes no greater than 50% of the area median income. All affordable units will be 540 square feet in size and contain a living room, bathroom and kitchen. The kitchen will contain a four burner electric range, a full size self-defrosting refrigerator/freezer, single compartment sink, built-in pantry and dining counter. The project includes a HUD Section 202 Project Rental Assistance Contract (PRAC) in which tenants pay 30% of their income towards rent and HUD pays the difference between the tenant portion and the HUD defined "Contract Rent". The project is expected to be compliant with the 2010 California Green Building Standards and is expected to achieve a LEED certified level. A multi-purpose community room (designed for a variety of social, educational and recreational activities) is sized to accommodate all residents of the building and is located off the lobby. A service kitchen is located adjacent to the community room. There will be a library/computer room located on the second floor.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (42 units) restricted to 50% or less of area median income households.
Unit Mix: 1 bedroom

The proposed project will not include any service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	13,552,823	
Estimated Hard Costs per Unit:	\$	185,496	(\$7,790,846 /42 units)
Estimated per Unit Cost:	\$	322,686	(\$13,552,823 /42 units)
Allocation per Unit:	\$	250,000	(\$10,500,000 /42 units)
Allocation per Restricted Rental Unit:	\$	250,000	(\$10,500,000 /42 restricted units)

Sources of Funds:	<u>Construction</u>		<u>Permanent</u>	
Tax-Exempt Bond Proceeds	\$	10,500,000	\$	0
Developer Equity	\$	400,000	\$	400,000
LIH Tax Credit Equity	\$	480,382	\$	4,803,823
Direct & Indirect Public Funds	\$	1,200,000	\$	8,213,000
Other (Cost Deferred Until Conversion)	\$	972,441	\$	0
Other (Rent Up Reserve Released)	\$	0	\$	136,000
Total Sources	\$	13,552,823	\$	13,552,823

Uses of Funds:	
Acquisition/Land Purchase	\$ 870,000
On & Off Site Costs	\$ 100,000
Hard Construction Costs	\$ 7,690,846
Architect & Engineering Fees	\$ 390,000
Contractor Overhead & Profit	\$ 394,059
Developer Fee	\$ 1,490,600
Cost of Issuance	\$ 297,850
Capitalized Interest	\$ 407,800
Other Soft Costs (Marketing, etc.)	\$ 1,911,668
Total Uses	\$ 13,552,823

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by Citibank, N.A. (the "Bank"). The loan will be for construction only and is anticipated to be taken out by a HUD 202 capital advance, therefore, no permanent tax-exempt debt will be attached to the project. The initial construction period will be for a period of 21 months. The outside conversion date is June 1, 2015, and will be subject to extension upon availability and satisfaction of such extension requirements with a six-month extension option. The interest rate on the construction loan during this time will be a rate equal to SIFMA Municipal Swap Index plus a spread of 2.00%. The bonds will be issued by the California Municipal Finance Authority (CMFA).

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 \$10,500,000 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	0
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
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.