

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 18, 2013
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Crystal Alvarez

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$15,700,000

Project Information:
Name: Village Grove Apartments
Project Address: 660 North Quince Street
Project City, County, Zip Code: Escondido, San Diego, 92025

Project Sponsor Information:
Name: Village Grove Apartments, LP (Village Grove Apartments, LLC of which Wasatch is the sole member and CHBA [Community Home Builders and Associates] Affordable II, LLC)
Principals: Dell Loy, Kipling Sheppard, Jeff Nielson, Tony Hladeck and Joel Larson for Village Grove Apartments, LLC; Graham Espley-Jones for CHBA Affordable II, LLC
Property Management Company: Wasatch Property Management

Project Financing Information:
Bond Counsel: Quint & Thimmig LLP
Underwriter: Prudential Affordable Mortgage Company, LLC
Credit Enhancement Provider: Prudential Affordable Mortgage Company, LLC / Freddie Mac
TEFRA Hearing Date: June 18, 2013

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 160, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The Village Grove Apartments is an existing market rate project with 161 family units that will be converted to low-income housing units in Escondido. The Project consist of 160 one-bedroom units and 1 two-bedroom manager's unit. The project will rent 16 units at 50% of area median income and 144 units at 60% of the area median income. The site is located within a mixed-use urban neighborhood consisting of commercial, retail, and residential uses. The complex consists of seven two-story apartment buildings, one building houses the leasing office and a community room. The renovations will include new landscaping, energy efficient windows, landscaped common areas, upgraded community center, 24-hour emergency maintenance, and upgraded buildings systems. Each unit will be improved with new flooring, kitchen cabinets, hardware, countertops and appliances.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
10% (16 units) restricted to 50% or less of area median income households.
90% (144 units) restricted to 60% or less of area median income households.
Unit Mix: 1 bedroom

The Project Sponsor has committed to providing after school programs and instructor-led educational, health and wellness or skill building classes free of charge to tenants for a period of 10 years.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	23,945,718	
Estimated Hard Costs per Unit:	\$	20,125	(\$3,220,000 /160 units)
Estimated per Unit Cost:	\$	149,661	(\$23,945,718 /160 units)
Allocation per Unit:	\$	98,125	(\$15,700,000 /160 units)
Allocation per Restricted Rental Unit:	\$	98,125	(\$15,700,000 /160 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 15,700,000	\$ 15,700,000
Developer Equity	\$ 1,446,518	\$ 1,446,518
LIH Tax Credit Equity	\$ 6,799,200	\$ 6,799,200
Total Sources	\$ 23,945,718	\$ 23,945,718

Uses of Funds:	
Acquisition/Land Purchase	\$ 15,700,000
Hard Construction Costs	\$ 3,220,000
Architect & Engineering Fees	\$ 66,750
Contractor Overhead & Profit	\$ 257,600
Developer Fee	\$ 2,500,000
Relocation	\$ 100,000
Other Soft Costs (Marketing, etc.)	\$ 2,101,368
Total Uses	\$ 23,945,718

Description of Financial Structure and Bond Issuance:

The tax-exempt bonds will be credit enhancement through Prudential Affordable Mortgage Company, LLC to be issued by the Federal Home Loan Mortgage Corporation ("Freddie Mac"). The bonds will bear a fixed interest rate for a term of 8 years with a 12 month interest only period. The interest rate will be determined on the day the bond underwriter prices the bonds. The project will carry a 35 year amortization.

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: 62.3 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$15,700,000 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]	2.3
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	10	10	10
Negative Points	-10	-10	0
Total Points	130	100	62.3

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.