

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: Housing Authority of the County of Kern

Allocation Amount Requested:
Tax-exempt: \$4,100,000

Project Information:
Name: Rancho Algodon Homes
Project Address: 800-825 Teresa Court
800-825 Carmelita Court
800-825 Maria Way
1100-1312 Consuelo Street
Project City, County, Zip Code: Delano, Kern, 93215

Project Sponsor Information:
Name: Rancho Algodon, LP (Golden Empire Affordable Housing, Inc. and Housing Authority of the County of Kern)
Principals: Charles Gene, Fred Haas and Randy M. Coats for Golden Empire Affordable Housing, Inc.; Max Becerra, Fred Haas and Stephen Pelz for Housing Authority of the County of Kern
Property Management Company: The Housing Authority of the County of Kern

Project Financing Information:
Bond Counsel: Best Best & Krieger LLP
Private Placement Purchaser: U.S. Bank
TEFRA Hearing Date: July 23, 2013

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 62 units
Type: Acquisition and Rehabilitation
Type of Units: Family

The Rancho Algodon Homes are spread out over four streets and consist of sixty-two (62) three and four-bedroom single family homes. The homes are situated on two rectangular parcels over an area of 16.60 acres. The planned renovation includes replacement of the following: concrete paving, wood fascia, exterior and interior doors, windows, T1-11 siding and stucco, kitchen countertops and sinks. The bathroom will be rehabilitated to upgrade the flooring, medicine cabinets, vanities, toilets and tubs. All water heaters will be removed and replaced with tankless water heaters. All homes will be improved to include roof-mounted package HVAC unit.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
68% (42 units) restricted to 50% or less of area median income households.
32% (20 units) restricted to 60% or less of area median income households.
Unit Mix: 3 & 4 bedrooms

No service amenities will be provided.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	8,726,163	
Estimated Hard Costs per Unit:	\$	30,119	(\$1,867,381 /62 units)
Estimated per Unit Cost:	\$	140,745	(\$8,726,163 /62 units)
Allocation per Unit:	\$	66,129	(\$4,100,000 /62 units)
Allocation per Restricted Rental Unit:	\$	66,129	(\$4,100,000 /62 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 4,100,000	\$ 2,000,000
Deferred Developer Fee	\$ 0	\$ 164,482
LIH Tax Credit Equity	\$ 111,618	\$ 2,297,438
Direct & Indirect Public Funds	\$ 3,999,243	\$ 3,999,243
Other (reserve replacement)	\$ 515,302	\$ 265,000
Total Sources	\$ 8,726,163	\$ 8,726,163

Uses of Funds:	
Acquisition/Land Purchase	\$ 4,080,000
On & Off Site Costs	\$ 99,381
Hard Construction Costs	\$ 1,768,000
Architect & Engineering Fees	\$ 57,500
Contractor Overhead & Profit	\$ 257,233
Developer Fee	\$ 1,029,175
Relocation	\$ 61,500
Cost of Issuance	\$ 122,500
Capitalized Interest	\$ 136,000
Other Soft Costs (Marketing, etc.)	\$ 1,114,874
Total Uses	\$ 8,726,163

Description of Financial Structure and Bond Issuance:

The tax-exempt bond allocation will be privately placed with U.S. Bank. The bank has committed to providing the construction and permanent financing for the project. The construction loan will carry a variable rate reset monthly, based on the LIBOR plus 250 for a period of 18 months. The permanent loan will carry a 15 year term and 30 year amortization. The construction loan will convert to a permanent loan with a fixed rate equal to the bank's Community Investment Pricing plus a spread of 2.50%. The rate is currently 5.93%.

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:

65 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$4,100,000 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	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	0
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	65

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.