

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: *Leslie J. Campaz*

Applicant: California Municipal Finance Authority

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

Project Information:
Name: Covenant Manor Apartments
Project Address: 600 E. 4th Street
Project City, County, Zip Code: Long Beach, Los Angeles, 90802

Project Sponsor Information:
Name: Covenant Manor, LP c/o Southern California Presbyterian Homes dba be.group (Covenant Manor, LLC; Southern California Presbyterian Homes (SCPH) dba be.group)
Principals: John H. Cochrane, III, Daniel S. Ogus, David L. Pierce and Benjamin F. Beckler, III for both entities.
Property Management Company: be.group

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Citibank, N.A.
TEFRA Hearing Date: August 6, 2013

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 99, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

The proposed project is a 100 unit rental acquisition and rehabilitation project located in the City of Long Beach, County of Los Angeles. The unit mix is comprised of 97 one-bedroom units, 2 two-bedroom units, and 1 two-bedroom/two-bath unit which is used by the on-site maintenance technician/emergency responder. The proposed project will target senior citizens earning up to 60% of the area median income for Los Angeles County. Building improvements that are contemplated as part of the rehabilitation project include: new heating, ventilating, air conditioning systems and domestic boilers, energy efficiency upgrades, and exterior painting, waterproofing, and balcony deck coating.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
30% (30 units) restricted to 50% or less of area median income households.
70% (69 units) restricted to 60% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

No service amenities will be provided.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

| | | |
|---|---------------|-------------------------------------|
| Estimated Total Development Cost: | \$ 23,575,508 | |
| Estimated Hard Costs per Unit: | \$ 28,302 | (\$2,801,887 /99 units) |
| Estimated per Unit Cost: | \$ 238,136 | (\$23,575,508 /99 units) |
| Allocation per Unit: | \$ 151,515 | (\$15,000,000 /99 units) |
| Allocation per Restricted Rental Unit: | \$ 151,515 | (\$15,000,000 /99 restricted units) |

| Sources of Funds: | <u>Construction</u> | <u>Permanent</u> |
|--------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 15,000,000 | \$ 10,239,000 |
| LIH Tax Credit Equity | \$ 1,393,343 | \$ 6,981,351 |
| Other | \$ 7,182,165 | \$ 6,355,157 |
| Total Sources | \$ 23,575,508 | \$ 23,575,508 |

| Uses of Funds: | |
|--------------------------------|----------------------|
| Acquisition/Land Purchase | \$ 15,841,808 |
| Total Hard Construction Costs | \$ 2,801,887 |
| Architect and Engineering Fees | \$ 200,000 |
| Contractor Overhead & Profit | \$ 168,113 |
| Developer Fee | \$ 2,460,600 |
| Cost of Issuance | \$ 359,100 |
| Capitalized Reserves | \$ 518,000 |
| Other Soft Costs | \$ 1,226,000 |
| Total Uses | \$ 23,575,508 |

Description of Financial Structure and Bond Issuance:

This is a private placement bond transaction with the bonds being purchased by Citibank, N.A. ("the Bank"). The Tax-exempt Loan will have two tranches: Tranche A will be funded first and will provide construction-to-permanent phase financing. Tranche B will be for additional construction phase only financing. Funding of both tranches will be made on a "draw down" basis. The construction phase term is 12 months, plus one 6 month extension, with an interest rate equal to the SIFMA Municipal Swap Index plus a spread of 2.00%. The permanent phase term is 16 years with an amortization of 35 years, with a fixed interest rate equal to the sum of 18 year maturity "AAA" bond rates as published by Thompson Municipal Market Monitor ("MMD") plus a spread of 2.20%. The bonds will be issued by the California Municipal Finance Authority.

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:

60 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$15,000,000 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] | 10 |
| 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 | 0 |
| New Construction | 10 | 10 | 0 |
| Sustainable Building Methods | 10 | 10 | 0 |
| Negative Points | -10 | -10 | 0 |
| Total Points | 130 | 100 | 60 |

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.