

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 11, 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: \$39,000,000

Project Information:
Name: Baker Ranch Apartments
Project Address: Rancho Parkway South
Project City, County, Zip Code: Lake Forest, Orange, 92630

Project Sponsor Information:
Name: Baker Ranch Affordable, L.P.(WCH Affordable IX, LLC and Baker Ranch Affordable, LLC)
Principals: Graham Espley-Jones, Sandra Gibbons and Leanne Troufreh for WCH Affordable IX, LLC; John M. Huskey, Kasey Burke, George Russo and Rutzel Castillo for Baker Ranch Affordable, LLC
Property Management Company: Solari Enterprises, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: JP Morgan Chase (Cons't) and Cornerstone Real Estate Advisors (Perm)
TEFRA Hearing Date: October 1, 2013

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 187, plus 2 manager units
Type: New Construction
Type of Units: Family

Baker Ranch Apartments is an new construction 189-unit development on approximately 6.3 acres. There will be 10 three-story residential style buildings with 1 garage for each unit. The project includes 57 one-bedroom, 75 two-bedroom units and 57 three-bedroom units. There will be a large community center, pool and spa, a computer and multi-media room, outdoor barbecues and tables, communal kitchen, library, laundry rooms and two manager's units.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
11% (20 units) restricted to 50% or less of area median income households.
89% (167 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

No service amenities are included.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 45,972,181
Estimated Hard Costs per Unit: \$ 136,841 (\$25,589,276 /187 units)
Estimated per Unit Cost: \$ 245,841 (\$45,972,181 /187 units)
Allocation per Unit: \$ 208,556 (\$39,000,000 /187 units)
Allocation per Restricted Rental Unit: \$ 208,556 (\$39,000,000 /187 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 39,000,000	\$ 22,378,393
Meta General Partner Loan	\$ 3,500,000	\$ 4,000,000
Deferred Developer Fee/ Reserve	\$ 648,016	\$ 766,028
LIH Tax Credit Equity	\$ 2,824,165	\$ 18,827,760
Total Sources	\$ 45,972,181	\$ 45,972,181

Uses of Funds:	
Acquisition/Land Purchase	\$ 250,000
On & Off Site Costs	\$ 5,000,000
Hard Construction Costs	\$ 20,589,276
Architect & Engineering Fees	\$ 1,384,500
Contractor Overhead & Profit	\$ 850,724
Developer Fee	\$ 2,500,000
Cost of Issuance	\$ 75,000
Capitalized Interest	\$ 2,218,147
Other Soft Costs (Marketing, etc.)	\$ 13,104,534
Total Uses	\$ 45,972,181

Description of Financial Structure and Bond Issuance:

This will be a privately placed transaction and will be issued by the California Statewide Communities Development Authority. Currently, JP Morgan Chase Bank has committed (Construction) to purchase \$39,000,000 in bonds with a 24 month term at a rate of 145 bp over current months LIBOR rate. Currently, Cornerstone has committed (Permanent) to purchase \$22,730,0000 in bonds with a 15 year term and amortized over 40 years. The rate is the equal to the higher of 4.3% or the sum of the 10-year U.S. Treasury rate plus the term spread in basis points, plus the cost of a forward Rate Lock at the closing of the bonds. The All-in-rate is approximately 5.54%.

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: 64.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$39,000,000 in tax exempt bond allocation on a carryforward basis.

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]	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	2.5
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	7
Negative Points	-10	-10	0
Total Points	130	100	64.5

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.