

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 Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$5,000,000

Project Information:
Name: Avenida Serra Apartments
Project Address: 107-115 Avenida Serra
Project City, County, Zip Code: San Clemente, Orange, 92673

Project Sponsor Information:
Name: Avenida Housing Partners, L.P. (Southern California Housing Development Corporation of Orange)
Principals: Steve PonTell, Tracy Thomas, Philip Nelson Lee and George Searcy for Southern California Housing Development Corporation of Orange
Property Management Company: National Community Renaissance of California

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Hearing Date: July 16, 2013

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 18, plus 1 manager unit
Type: New Construction
Type of Units: Family

Avenida Serra Apartments is a new construction 18-unit in historic San Clemente on approximately .37 acres. There will be a two and three-story Spanish Colonial Revival style buildings. The project includes 19 one-bedroom units with incorporated on-site covered parking with spaces for bicycles and motorcycles. There will be a lobby, elevator, private patios and balconies; trash recycling area, common outdoor courtyard; on-site leasing office, common laundry facilities and common resource center.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
61% (11 units) restricted to 50% or less of area median income households.
39% (7 units) restricted to 60% or less of area median income households.
Unit Mix: 1 bedroom

No service amenities are included.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	7,861,221	
Estimated Hard Costs per Unit:	\$	207,505	(\$3,735,088 /18 units)
Estimated per Unit Cost:	\$	436,735	(\$7,861,221 /18 units)
Allocation per Unit:	\$	277,778	(\$5,000,000 /18 units)
Allocation per Restricted Rental Unit:	\$	277,778	(\$5,000,000 /18 restricted units)

The Project has total project costs that appear high for the geographic area in which it is located. According to the Project sponsor, the high cost is due to land costs in Orange County are extremely high. The land value/cost for this project is \$800,000.

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 5,000,000	\$ 0
Taxable Debt Proceeds	\$ 0	\$ 436,000
Developer Loans	\$ 0	\$ 422,214
Direct & Indirect Public Funds	\$ 1,791,652	\$ 4,164,400
LIH Tax Credit Equity	\$ 532,606	\$ 2,838,607
Total Sources	\$ 7,324,258	\$ 7,861,221
 Uses of Funds:		
Acquisition/Land Purchase	\$ 800,000	
On & Off Site Costs	\$ 532,120	
Hard Construction Costs	\$ 3,202,968	
Architect & Engineering Fees	\$ 500,000	
Contractor Overhead & Profit	\$ 294,912	
Developer Fee	\$ 600,000	
Cost of Issuance	\$ 93,750	
Capitalized Interest	\$ 250,000	
Other Soft Costs (Marketing, etc.)	\$ 1,587,471	
Total Uses	\$ 7,861,221	

Description of Financial Structure and Bond Issuance:

This will be a privately placed transaction and will be issued by the California Municipal Finance Authority. Currently, Citibank has committed (Construction) to purchase \$5,000,000 in bonds with a 24 month term at a rate of 2.25% over current SIMFA Municipal Swap Index rate. Permanent financing of bonds with a 15 year term and amortized over 35 years. The rate is the equal to the sum of the 18-year maturity "AAA" bond rate published by Thompson Municipal Market Monitor (MMD) plus a spread of 2%. Currently, the all in rate will be 5.85%.

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:

80 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$5,000,000 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	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	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
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	80

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.