

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
January 15, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Leslie J. Campaz

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$10,300,000

Project Information:
Name: Naomi Gardens Apartments
Project Address: 655 West Naomi Avenue
Project City, County, Zip Code: Arcadia, Los Angeles, 91007

Project Sponsor Information:
Name: Naomi Gardens, LP (Rebuild America-Arcadia, Inc.)
Principals: LeAnn Pearson, Marilou Braswell and Betty Glass for Rebuild America-Arcadia, Inc.
Property Management Company: MANSERMAR, INC.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Red Capital Markets, LLC
Credit Enhancement Provider: Red Mortgage Capital, LLC
TEFRA Hearing Date: March 5, 2013

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 100, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens/Federally Assisted At-Risk

The proposed acquisition and rehabilitation project is an existing 101-unit senior housing facility consisting of 1-bedroom apartments located in the City of Arcadia, Los Angeles County. The project serves very-low income seniors. Of the 101 units, 100 will be restricted to households with incomes no greater than 60% of the area median income and the remaining unit will be a 2-bedroom manager's unit. The development is located on an approximate one-acre flat site in a mixed residential/commercial area and is convenient to transportation, employment centers, shopping, parks and recreation and medical/social services. The scope of rehabilitation will include new energy efficient boilers, new thermal pane windows in all units, new energy star appliances in all units, and energy efficient lighting in common areas.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

10% (10 units) restricted to 50% or less of area median income households.

90% (90 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:	\$ 20,608,715	
Estimated Hard Costs per Unit:	\$ 20,636	(\$2,063,693 /100 units)
Estimated per Unit Cost:	\$ 206,087	(\$20,608,715 /100 units)
Allocation per Unit:	\$ 103,000	(\$10,300,000 /100 units)
Allocation per Restricted Rental Unit:	\$ 103,000	(\$10,300,000 /100 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 10,300,000	\$ 10,300,000
LIH Tax Credit Equity	\$ 1,534,844	\$ 5,116,146
Seller Note	\$ 7,030,025	\$ 3,896,455
Deferred Developer Fee	\$ 900,000	\$ 0
Other (Reserve Carryover, Deferred Interest)	\$ 0	\$ 799,671
Other (Reserves, Other Deferred Costs)	\$ 843,846	\$ 0
Other (Initial Operating Income)	\$ 0	\$ 496,433
Total Sources	\$ 20,608,715	\$ 20,608,705

Uses of Funds:	
Acquisition/Land Purchase	\$ 13,025,000
On & Off Site Costs	\$ 153,450
Hard Construction Costs	\$ 1,910,243
Architect & Engineering Fees	\$ 165,500
Contractor Overhead & Profit	\$ 281,848
Developer Fee	\$ 1,800,000
Relocation	\$ 101,000
Cost of Issuance	\$ 248,208
Capitalized Interest	\$ 691,749
Reserves and Contingency	\$ 1,369,384
Other Soft Costs (Marketing, etc.)	\$ 862,333
Total Uses	\$ 20,608,715

Description of Financial Structure and Bond Issuance:

The proposed project will be a credit enhancement transaction provided by Red Capital Markets, LLC. The bonds will be issued by the California Statewide Communities Development Authority. \$10,000,000 in bonds will be issued and sold to the public by Red Capital Markets, LLC with an 18-month maturity. A loan in the approximate amount of \$10,337,200 is simultaneously being made to the Project under the FHA Section 223(f) mortgage insurance program. The tax exempt bond structure will provide an interest rate of approximately 3.50% with a term and amortization period of 40 years or 75% of remaining economic life.

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: 60.5 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$10,300,000 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	20
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]	0
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	7.5
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	3
Negative Points	-10	-10	0
Total Points	130	110	60.5

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.