Agenda Item No. 6.9
Application No. 14-030

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 19, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: California Housing Finance Agency

Allocation Amount Requested:

Tax-exempt:	$6,200,000

Project Information:

Name:	**Rancheria del Sol Apartments**
Project Address:	321A South Calle El Segundo
Project City, County, Zip Code:	Palm Springs, Riverside, 92262

Project Sponsor Information:

Name:	Rancheria Del Sol Partners, LP (Rancheria Del Sol Management, LLC; and Rancheria Housing Partners MGP, LLC)
Principals:	Stephen R. Whyte for Rancheria Del Sol Management, LLC; and Jon Webb for Rancheria Housing Partners MGP, LLC
Property Management Company:	U.S. Residential Group, Inc. (USRG)

Project Financing Information:

Bond Counsel:	Orrick, Herrington & Sutcliffe, LLP
Underwriter:	Citigroup
Credit Enhancement Provider:	Citibank, N.A.
Private Placement Purchaser:	Not Applicable
TEFRA Adoption Date:	January 30, 2014

Description of Proposed Project:

State Ceiling Pool:	General
Total Number of Units:	75, plus 1 manager unit
Type:	Acquisition and Rehabilitation
Type of Units:	Family

The proposed Project is an existing complex located in the City of Palm Springs, County of Riverside. The property was originally built in 1970 on 3 acres of land. The Project consists of 76 rental units within ten (10) two-story buildings. Of the 76 units, 61 will be restricted to households with income no greater than 60% of the area median income (AMI). 14 of the units will be at 50% AMI, and one will be held as a manager unit. According to the application, the Project will undergo an extensive rehabilitation to address deferred maintenance, improve the physical nature of the property, and address long-term capital needs. The unit configuration will be 1- 2- and 3-bedroom units (twelve 1-bedroom, fity-two 2-bedroom and twelve 3-bedroom units). The application states that upon acquisition of the Project, rehabilitation will be performed and compleed in December of 2014.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

19% (14 units) restricted to 50% or less of area median income households.

81% (61 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2 & 3 bedrooms

No service amenities will provided for the Project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	$	12,001,396	
Estimated Hard Costs per Unit:	$	25,110	($1,883,280 /75 units)
Estimated per Unit Cost:	$	160,019	($12,001,396 /75 units)
Allocation per Unit:	$	82,667	($6,200,000 /75 units)
Allocation per Restricted Rental Unit:	$	82,667	($6,200,000 /75 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	$ 6,200,000	$ 0
Taxable Bond Proceeds	$ 2,000,000	$ 8,200,000
Developer Equity	$ 101,396	$ 101,396
LIH Tax Credit Equity	$ 3,700,000	$ 3,700,000
Total Sources	$ 12,001,396	$ 12,001,396

Uses of Funds:	
Acquisition/Land Purchase	$ 6,700,000
Hard Construction Costs	$ 1,883,280
Architect & Engineering Fees	$ 139,188
Contractor Overhead & Profit	$ 150,662
Developer Fee	$ 1,550,000
Contingency/Relocation	$ 234,694
Cost of Issuance	$ 236,120
Capitalized Interest	$ 78,485
Other Soft Costs (Marketing, etc.)	$ 1,028,967
Total Uses	$ 12,001,396

Description of Financial Structure and Bond Issuance:

The financing structure for the proposed project will be a Credit Enhanced transaction provided by Citibank, N.A. ("Citi") and will involve an initial tax exempt bond loan issued by CalHFA which will be replaced by a Freddie Mac permanent loan following construction completion. The construction period will be for 18 months with a bond interest rate of 0.60% (at the time of application). There are two Financing Commitments provided by Citi for this transaction. The first Commitment pertains to the construction period of the loan and involves $6,200,000 of tax exempt bonds to be issued and purchased by Citi, as well as a $2,000,000 loan (for a total of $8,200,000 in construction period loan proceeds). Following construction completion, the $6,200,000 in tax exempt bonds and the $2,000,000 Citi Loan will be retired and replaced with a Freddie Mac Permanent Loan in the amount of $8,200,000. This $8,200,000 permanent loan from Freddie Mac is referenced in the second Commitment. There will be no permanent tax-exempt debt on the Proejct.

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: 56 out of 130

[See Attachment A**]**

Recommendation:

Staff recommends that the Committee approve $6,200,000 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	29
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	9
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	3
Negative Points	-10	-10	0
Total Points	**130**	**100**	**56**

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.