

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 21, 2014
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: \$9,000,000

Project Information:

Name: Lynroc Apartments
Project Address: 6105 Sunset Boulevard
Project City, County, Zip Code: Rocklin, Placer, 95677

Project Sponsor Information:

Name: Lynroc Preservation Limited Partnership (Lynroc Preservation Cornucopia LLC and Lynroc Preservation Partners LLC)
Principals: Irene Rivas and Yen Nguyen for Lynroc Preservation Cornucopia; William Szymczak for Lynroc Preservation Partners
Property Management Company: Preservation Partners Management Group, Inc.

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Adoption Date: January 7, 2014

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 66, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens/Federally Assisted At-Risk

Lynroc Apartments is an existing 67-unit senior apartment project that was originally constructed on a 6.5 acre site in 1978. There are eight one-story buildings on the site containing 60 one-bedroom, 7 two-bedroom apartment units. One of the two-bedroom units is a manager unit. The one-bedroom units are approximately 581 sf and the two-bedroom units are 691 sf with the exception of the manager unit which is approximately 720 sf. All units are provided with refrigerators, ranges and range hoods in the kitchens. As part of the renovation, unit finishes will be replaced including new flooring in kitchen and baths; new wood cabinets, solid surface countertops with integral sinks, plumbing, painting and light fixtures in the kitchens and bathrooms; toilets and bath accessories in the bathrooms. All units will also receive new dual pane vinyl low-e windows and vertical blinds. New Title 24 compliant 30 year asphalt shingles will be installed as part of the renovation. Foundations are reinforced concrete slab-on-grade with integral perimeter and intermediate grade beams bearing on continuously reinforced concrete footing. There is a parking lot which contains approximately 110 parking spaces, 96 open self-park and 14 handicapped accessible. The parking area will be repaired, sealed and striped. Security site lighting on buildings and at walkways will also be upgraded. There is a recreation room containing a lounge, common area restroom and kitchen. There is also one laundry facility and a community garden both located on the property for resident use. Anticipated start date is July 2014 and completion date is December 2014.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
11% (7 units) restricted to 50% or less of area median income households.
89% (59 units) restricted to 60% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

There are no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	11,091,094	
Estimated Hard Costs per Unit:	\$	28,513	(\$1,881,835 /66 units)
Estimated per Unit Cost:	\$	168,047	(\$11,091,094 /66 units)
Allocation per Unit:	\$	136,364	(\$9,000,000 /66 units)
Allocation per Restricted Rental Unit:	\$	136,364	(\$9,000,000 /66 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 9,000,000	\$ 6,620,000
Developer Equity	\$ 1,300,722	\$ 319,982
LIH Tax Credit Equity	\$ 545,061	\$ 3,905,801
Other (Net Operating Income)	\$ 245,311	\$ 245,311
Total Sources	\$ 11,091,094	\$ 11,091,094

Uses of Funds:	
Acquisition/Land Purchase	\$ 6,300,000
Hard Construction Costs	\$ 1,881,835
Architect & Engineering Fees	\$ 20,000
Contractor Overhead & Profit	\$ 144,613
Developer Fee	\$ 1,300,721
Relocation	\$ 88,750
Cost of Issuance	\$ 890,362
Capitalized Interest	\$ 314,813
Other Soft Costs (Marketing, etc.)	\$ 150,000
Total Uses	\$ 11,091,094

Description of Financial Structure and Bond Issuance:

This is a Citibank, N.A. Private Placement transaction with the bonds being issued by the California Statewide Communities Development Authority. Citibank, NA will be the construction and permanent lender for this project. The construction period for the bonds will be 24 months with a possible extension period of 6 months. The permanent loan term will amortize over 35 years with a repayment of the loan in year 17 after of the closing. The permanent interest rate will be based on the 16 year LIBOR swap + 1.80% (at the time of the application estimated to be at 5.5%). The permanent loan will be sized to a Debt Service Coverage of 1.15 with a maximum loan to value at 90% and a maximum loan cost at 80%. They are planning on closing on these bonds in June 2014.

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:

55 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$9,000,000 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	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	5
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	110	55

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.