Agenda Item No. 7.19
Application No. 14-059

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 Housing Finance Agency

Allocation Amount Requested:

Tax-exempt: $3,300,000

The amount of allocation requested is supplemental to the $6,200,000 of allocation the Project received on March 19, 2014.

Project Information:

Name: **Rancheria del Sol Apartments**
Project Address: 302 S. South Calle Elncilia
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: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
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:	$	12,125,396	
Estimated Hard Costs per Unit:	$	25,110	($1,883,280 /75 units)
Estimated per Unit Cost:	$	161,672	($12,125,396 /75 units)
Allocation per Unit:	$	126,667	($9,500,000 /75 units)
Allocation per Restricted Rental Unit:	$	126,667	($9,500,000 /75 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	$ 9,500,000	$ 8,350,000
Developer Equity	$ 75,396	$ 75,396
LIH Tax Credit Equity	$ 2,550,000	$ 3,700,000
Total Sources	$ 12,125,396	$ 12,125,396

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	$ 1,575,000
Relocation	$ 20,000
Cost of Issuance	$ 258,020
Capitalized Interest	$ 78,485
Other Soft Costs (Marketing, etc.)	$ 1,320,761
Total Uses	$ 12,125,396

Description of Financial Structure and Bond Issuance:

The tax exempt bonds are to be issued CalHFA for Rancheria Del Sol in the total amount of $9,500,000 will be purchased by Citibank, N.A. (the Lender) through its Private Placement Debt Program. The amount of the construction period debt will be $9,500,000 which will have a term of 24 months and an interest rate that is set to the 1 Month LIBOR plus 2.50%. The permanent period debt will equal approximately $8,350,000 with a term of 30 years and an interest rate of 5.58% as of today. Note that upon conversion from the construction to the permanent phase of the mortgage approximately $1,150,000 in tax exempt bonds will be retired. The Lender's closing of this transaction is subject to their internal review of the financing appraisal and their legal counsel's review of the financing and equity related documents. 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.

Recommendation:

Staff recommends that the Committee approve $3,300,000 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	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.