

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 16, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: California Municipal Finance Authority

Allocation Amount Requested:

Tax-exempt: \$11,000,000

Project Information:

Name: Camphora Apartments
Project Address: 92101 McCoy Road
Project City, County, Zip Code: Soledad, Monterey, 93960

Project Sponsor Information:

Name: Camphora Associates, LP (Camphora Farmworker Apartments LLC)
Principals: Dennis Lalor, John Cesare and Dianne Dudek
Property Management Company: Eden Housing Management, Inc. (EHMI)

Project Financing Information:

Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: U.S. Bank National Association (constr. only)
TEFRA Adopted Date: January 14, 2014

Description of Proposed Project:

State Ceiling Pool: Rural
Total Number of Units: 43, plus 1 manager unit
Type: New Construction
Type of Units: Family

The proposed project will be a 44-unit new construction replacement housing located in the City of Soledad, County of Monterey. The existing Camphora Farmworker Labor Camp development, which was purchased by South County Housing (SCH) in 2010, will be demolished. The development was originally constructed in the early 1960s as part of the Bracero program, which brought single migrant farmworkers into the US from other countries. The 450 square foot units in concrete block buildings are each comprised of two very small bedrooms and a small kitchen, with no real living area. There is a packing-shed like building which is currently being used as a community room. The 4.6 acre site is largely flat. The proposed project units will be restricted to low and very low income households. It is designed as a large family project, with half of the units providing three bedrooms and half two-bedrooms. The apartments are configured as walk-up flats in four (4) two-story buildings. The LEED Platinum design will result in very low utility bills for the tenants. A fifth building will include a 3,000+ square foot community center, with a large community room, a computer lab and space for providing services. Other amenities include a large patio barbeque area, two age-specific play areas, a full basketball court and two large turf areas for outdoor sports. Laundry facilities will be located in two separate locations to provide convenient access for all units. Carports will offer covered parking for all tenants. The improvement plans for the project include demolishing the existing septic systems and installation of an on-site sewer lift station. The City of Soledad has agreed to allow the project to connect to their municipal sewage disposal system. Plans also include extensive improvements to the existing water system. The site design also calls for a landscaped sound berm to be built along the southwest frontage to shield the site from highway noise. Project financing is scheduled to close in August 2014 and demolition is anticipated to begin immediately afterwards. The construction is slated to take no more than ten (10) months.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

88% (38 units) restricted to 50% or less of area median income households.

12% (5 units) restricted to 60% or less of area median income households.

Unit Mix: 2 & 3 bedrooms

The proposed project will include the following services amenities: 1) after school programs; 2) instructor-led educational, health and wellness or skill building classes for a minimum of 84 hours per year; and 3) a bona fide service coordinator/social worker.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 18,919,443	
Estimated Hard Costs per Unit:	\$ 224,116	(\$9,636,996 /43 units)
Estimated per Unit Cost:	\$ 439,987	(\$18,919,443 /43 units)
Allocation per Unit:	\$ 255,814	(\$11,000,000 /43 units)
Allocation per Restricted Rental Unit:	\$ 255,814	(\$11,000,000 /43 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 1) Acquisition, mediation and demolition; 2) Construction of a new sewer lift station for the project and to install a force main connection to the City of Soledad municipal sewer system; and Cost of temporary and permanent relocation.

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 11,000,000	\$ 0
Developer Equity	\$ 0	\$ 891,213
Deferred Developer Fee	\$ 0	\$ 300,000
LIH Tax Credit Equity	\$ 800,000	\$ 6,492,261
Direct & Indirect Public Funds	\$ 5,657,230	\$ 11,235,969
Total Sources	\$ 17,457,230	\$ 18,919,443

Uses of Funds:	
Acquisition/Land Purchase	\$ 1,590,852
On-site & Off-site Costs	\$ 3,175,484
Hard Construction Costs	\$ 6,461,512
Architect & Engineering Fees	\$ 861,700
Contractor Overhead & Profit	\$ 1,242,360
Developer Fee	\$ 1,970,542
Relocation	\$ 951,835
Cost of Issuance	\$ 212,125
Capitalized Interest	\$ 408,951
Other Soft Costs (Marketing, etc.)	\$ 2,044,082
Total Uses	\$ 18,919,443

Description of Financial Structure and Bond Issuance:

The financial structure of the proposed project will be a private placement transaction provided by U.S. Bank National Association (the "Bank"). The Bank will provide a tax-exempt construction loan only, as there will be no permanent tax-exempt debt on the project. The loan will be in the amount of \$11,000,000 and will have a term of 18-months with one (1) six-month extension option. According to the application, the interest rate will be a variable rate. The Bank states that the interest rate will be based on one month LIBOR plus 200 basis points reset monthly, on the first business day of each month. Interest only payments will be due monthly on the advanced portion of the loan proceeds, payable from an established interest reserve allowance. The bonds will be issued by the California Municipal Finance Authority.

Analyst Comments:

Most of the eligible tenants will be provided with temporary relocation benefits. A small number of over-income families will receive permanent relocation payments. Existing tenants will be given the opportunity to move back to the new facility after construction is complete.

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: 90 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$11,000,000 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	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]	0
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	10
New Construction	10	10	10
Sustainable Building Methods	10	10	10
Negative Points	-10	-10	0
Total Points	130	100	90

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.