

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**September 17, 2014**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Brian Clark*

---

**Applicant:** California Statewide Communities Development Authority

---

**Allocation Amount Requested:**  
**Tax-exempt:** \$4,890,000

---

**Project Information:**  
**Name:** Santa Fe Apartments  
**Project Address:** 16576 Sultana Street  
**Project City, County, Zip Code:** Hesperia, San Bernardino, 92345

---

**Project Sponsor Information:**  
**Name:** Santa Fe Hesperia AR, LP (WCH Affordable XI, LLC & HCHP Affordable Multi-Family, LLC)  
**Principals:** Graham Epsley-Jones, Sandy Gibbons & Leanne Troufreh for WCH Affordable XI, LLC; Michael A Costa, Robert W. Tetrault, Thomas Erickson & Judy Dossen for HCHP Affordable Multi-Family, LLC  
**Property Management Company:** ConAm Management Corporation

---

**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** America First Tax Exempt Investors, LP  
**TEFRA Adoption Date:** August 6, 2014

---

**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 88, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

The proposed Project is located on 5.97 acres in a medium density residential neighborhood. The project, constructed in 1999, is comprised of a community building, a 195-space surface parking lot and 11 two-story garden-style buildings housing 16 one bedroom units, 16 two-bedroom units, 48 three-bedroom units, 8 four-bedroom units and a single three-bedroom manager's unit. All tenant units will be income restricted; 36 units at 50% AMI and 52 units at 60% AMI. All units have a patio/balcony, blinds, carpeting, central heat/AC, stove, refrigerator, dishwasher and garbage disposal. Community amenities include a business center, clubhouse/meeting room, laundry facility, playground, swimming pool and on-site management. Rehabilitation will include replacing attic insulation, replacing unit water heaters with high efficiency gas units, replacing unit refrigerators and dishwashers with energy star units, replacement of handicapped ramps, replacement of sod & irrigation system with desert materials, asphalt repair and restriping, speed bump relocation, installation of solar system/shade structure and exterior painting of all buildings. Tenants will remain in place during rehabilitation. Rehabilitation is expected to begin the first quarter of 2015 and be completed by the second quarter of 2015.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%

41% (36 units) restricted to 50% or less of area median income households.

59% (52 units) restricted to 60% or less of area median income households.

**Unit Mix:** 1, 2, 3 & 4 bedrooms

There are no service amenities.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$	7,256,400	
<b>Estimated Hard Costs per Unit:</b>	\$	10,650	(\$937,170 /88 units)
<b>Estimated per Unit Cost:</b>	\$	82,459	(\$7,256,400 /88 units)
<b>Allocation per Unit:</b>	\$	55,568	(\$4,890,000 /88 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	55,568	(\$4,890,000 /88 restricted units)

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 4,890,000	\$ 3,017,810
Developer Equity	\$ 0	\$ 795,258
LIH Tax Credit Equity	\$ 134,082	\$ 2,006,272
Seller Note	\$ 1,295,545	\$ 1,295,545
Other (income during rehab., deferred costs)	\$ 936,773	\$ 141,515
<b>Total Sources</b>	<b>\$ 7,256,400</b>	<b>\$ 7,256,400</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 4,700,000
Hard Construction Costs	\$ 937,170
Architect & Engineering Fees	\$ 72,537
Contractor Overhead & Profit	\$ 124,600
Developer Fee	\$ 837,114
Cost of Issuance	\$ 127,895
Capitalized Interest	\$ 114,693
Other Soft Costs (legal, operating reserve, fees)	\$ 342,391
<b>Total Uses</b>	<b>\$ 7,256,400</b>

---

**Description of Financial Structure and Bond Issuance:**

The bonds will be purchased as a private placement transaction by America First Multifamily Investors, LP. The construction phase will be for a period of 24 months, during which the bonds will be interest only at a fixed rate of 5.5%. Upon conversion to permanent phase, any remaining tax credit equity will be funded and the bonds will be sized at the lesser of 85% loan-to-value or 1.15 to 1 debt coverage ratio. The permanent loan is expected to be paid down at conversion to approximately \$3,017,810 with a fixed interest rate of 5.75%. Permanent financing will be amortized over 35 years with a 35 year loan term.

---

**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 out of 130

[See Attachment A]

---

**Recommendation:**

Staff recommends that the Committee approve \$4,890,000 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]	10
Gross Rents	5	5	5
Large Family Units	5	5	5
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
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>60</b>

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.