

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: Sarah Lester

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:

Tax-exempt: \$5,000,000

The amount of allocation requested is supplemental to the \$11,000,000 of allocation the Project received on May 21, 2014.

Project Information:

Name: Indio Desert Palms Apartments (sup)
Project Address: 46575 Clinton Street
Project City, County, Zip Code: Indio, Riverside, 92201

Project Sponsor Information:

Name: Indio Family Housing Partners, LP (NEXUS Affordable Housing, Inc., and AHG Indio, LLC)
Principals: Tom Sibler, Karra Cappeluti and Jim Reynolds for NEXUS Affordable Housing, Inc.; James Silverwood for AHG Indio,
Property Management Company: Solari Enterprises, Inc.

Project Financing Information:

Bond Counsel: Quint & Thimmig LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Bank of the West
TEFRA Adopted Date: April 16, 2014

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 142, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is an existing 144-unit family development located in the City of Indio, County of Riverside that was originally constructed in 1995. The project has ten (10) two-story garden-style residential buildings, four (4) one-story garden-style residential buildings, a leasing office/laundry building, two (2) stand-alone laundry buildings and one (1) maintenance building. Other community amenities include on-site management, barbecue areas, open space, two playground areas, and a swimming pool. The project consists of eight (8) two-bedroom units, 80 three-bedroom units and 56 four-bedroom units. Of the 144 units, 142 will be restricted to households with incomes no greater than 60% Area Median Income (AMI) [29 @ 50% AMI and 113 @ 60% AMI]. The scope of rehabilitation will consist of grinding and adding a slurry coat to the exterior asphalt in the parking lot area; redesigning of landscape; rehabing the building envelope with patching; completed re-painting at the stucco areas; replacement of exterior windows and sliding glass doors; and installing a large Solar PV array system. Also, the interior unit rehabilitation will include, new flooring; replacement of cabinets and countertops; replacing of 70% of the water heaters; replacement of plumbing fixtures, lighting fixtures and all appliances. Construction is expected to begin in November 2014 and completed by June 2015.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
20% (29 units) restricted to 50% or less of area median income households.
80% (113 units) restricted to 60% or less of area median income households.
Unit Mix: 2, 3 & 4 bedrooms

The proposed project will include 1) after school programs on an ongoing nature; and 2) instructor-led educational classes, health & wellness, or skill building classes for a minimum of 84 hours per year.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 19,400,750
Estimated Hard Costs per Unit: \$ 29,197 (\$4,146,000 /142 units)
Estimated per Unit Cost: \$ 136,625 (\$16,000,000 /142 units)
Allocation per Unit: \$ 112,676 (\$16,000,000 /142 units)
Allocation per Restricted Rental Unit: \$ 112,676 (\$16,000,000 /142 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 16,000,000	\$ 10,980,000
Developer Equity	\$ 655,726	\$ 665,726
LIH Tax Credit Equity	\$ 1,606,595	\$ 6,626,595
Other (Oper. Cash Flow Yr 1 & Solar Tax Credit)	\$ 1,138,429	\$ 1,138,429
Total Sources	\$ 19,400,750	\$ 19,410,750

Uses of Funds:	
Acquisition/Land Purchase	\$ 9,919,000
Hard Construction Costs	\$ 4,146,000
Architect & Engineering Fees	\$ 279,750
Contractor Overhead & Profit	\$ 370,500
Developer Fee	\$ 2,237,400
Relocation	\$ 171,000
Cost of Issuance	\$ 200,000
Capitalized Interest	\$ 500,000
Other Soft Costs (Marketing, etc.)	\$ 1,577,100
Total Uses	\$ 19,400,750

Description of Financial Structure and Bond Issuance:

The proposed project will be a private placement financial structure provided by Bank of the West for both a tax-exempt construction loan (\$16,000,000) and a tax-exempt permanent loan (\$10,980,000). The construction period will be for a term of 12 months with one three-month extension option. The interest rate will be a variable rate of one-month LIBOR plus 1.50% with interest only payments payable monthly during the construction and lease-up period. The permanent financing period will have a loan term of 196 years with a 35 year amortization period. The interest rate will be the Federal Home loan Bank CIP rate for a 35 year fully amortizing advance with a 12 month forward rate lock + 1.40%. The loan amount will be \$10,980,000 during the permanent financing period. The Bonds will be issued by the California Statewide Communities Development Authority.

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 \$5,000,000 in tax exempt bond allocation.