

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 20, 2015
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: \$19,000,000

Project Information:
Name: Brethren Manor Apartments
Project Address: 3333 Pacific Place
Project City, County, Zip Code: Long Beach, Los Angeles, 90806

Project Sponsor Information:
Name: Brethren Manor Senior Care, LP (WCH Affordable XIII, LLC and Providence Housing - Brethren Manor, LLC)
Principals: Graham Espley-Jones, Sandra Gibbons, Leanne Truofreh for WCH Affordable XIII, LLC; and Stephen L. Doty for Providence Housing Brethren Manor, LLC
Property Management Company: LOMCO

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: California Bank & Trust
TEFRA Adopted Date: March 24, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 293, plus 3 manager units
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

The proposed project is a 296 unit affordable community for seniors in Long Beach, consisting of 189 studio units, 105 1-bedroom units, and 2 2-bedroom manager units. The property contains a single (two tower) six-story concrete building with a podium parking deck and a two story wood framed recreational building attached. It was developed in 1965 under the HUD 202 program. The community will have ample indoor and outdoor recreation space, having a computer center, fitness room, library, rooftop garden & patio, game room, and multi-purpose room. The units will have new energy efficient double paned windows, vertical blinds, flooring, cabinetry, hard surface countertops, water-saving plumbing fixtures, LED lighting, and Energy Star appliances (refrigerator, stove, heater, air-conditioner, and garbage disposal). The property currently receives (and will continue to receive) an annual grant from HUD which funds the resident service coordinators that provide robust social services to the residents. There are currently 14 units occupied by over-income households. These units are shown as market rate units but will likely be restricted to 80% of median income when the project signs a new use agreement with HUD as a condition of obtaining the tenant protection vouchers. The developer's projected rehabilitation start date is in July 2015, with an estimated completion date of March 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 95%

10% (30 units) restricted to 50% or less of area median income households.

85% (249 units) restricted to 60% or less of area median income households.

Unit Mix: Studio & 1 bedroom

The proposed project will provide the following service amenities: 1) instructor-led educational, health and wellness or skill building classes for a minimum of 84 hours per year; and 2) a bona fide service coordinator/social worker at a minimum of 986.54 hours per year.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	29,270,396	
Estimated Hard Costs per Unit:	\$	23,644	(\$6,927,768 /293 units)
Estimated per Unit Cost:	\$	99,899	(\$29,270,396 /293 units)
Allocation per Unit:	\$	64,846	(\$19,000,000 /293 units)
Allocation per Restricted Rental Unit:	\$	68,100	(\$19,000,000 /279 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 19,000,000	\$ 19,000,000
Taxable Bond Proceeds	\$	\$
Deferred Developer Fee	\$	\$ 199,377
LIH Tax Credit Equity	\$ 7,184,299	\$ 8,903,379
Other (Existing Reserves)	\$ 850,000	\$ 850,000
Operating Income	\$ 317,640	\$ 317,640
Other (Deferred Costs)	\$ 1,918,457	\$ 0
Total Sources	\$ 29,270,396	\$ 29,270,396

Uses of Funds:	
Acquisition/Land Purchase	\$ 15,000,000
On-site & Off-site Costs	\$ 668,058
Hard Construction Costs	\$ 6,259,710
Architect & Engineering Fees	\$ 155,000
Contractor Overhead & Profit	\$ 968,031
Developer Fee	\$ 2,168,458
Relocation	\$ 220,000
Cost of Issuance	\$ 565,815
Capitalized Interest	\$ 709,858
Other Soft Costs (Marketing, etc.)	\$ 2,555,466
Total Uses	\$ 29,270,396

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by California Bank & Trust (the "Bank") for both construction and permanent financing. During the construction phase, the loan term will be for 12 months principal and interest payments with an estimated monthly payment of \$96,270. During the permanent financing phase, the loan term will be for 18 years with an amortization period of 30 years with one three month option to extend. The interest rate will be a 4.5% floor interest rate. 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.

Total Points: 65.7 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$19,000,000 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	24
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	9.2
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	7.5
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	10	10	10
Negative Points	-10	-10	0
Total Points	130	100	65.7

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.