

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: Devon King

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$15,371,923

Project Information:
Name: Lemon Grove Apartments
Project Address: 1148 N. Lemon Street
Project City, County, Zip Code: Orange, Orange, 92867

Project Sponsor Information:
Name: Lemon Grove, L.P. (OHDC Properties II, LLC and C&C Properties Group II, LLC)
Principals: Eunice Robert for OHDC Properties II, LLC; Todd R. Cottle and Barry A. Cottle C&C Properties Group II, LLC
Property Management Company: Advanced Property Services, L.L.C

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Bank of America (Construction) California Community Reinvestment Corporation (Permanent)
TEFRA Adoption Date: March 10, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 81, plus 1 manager unit
Type: New Construction
Type of Units: Family

The proposed project involves the construction of an 82 unit apartment building. The project is located in the City of Orange. The project is located at 1148 N. Lemon Street. The units mix will consist of 24 two-bedroom and 58 three-bedroom units. The Lemon Grove Apartments will consist of 4 garden style walk up buildings. Architecturally, the buildings will be designed to complement and enhance the neighborhood. Covered and open parking spaces will be provided. The property will feature gated pedestrian and auto access, tot lot, onsite laundry facilities, community room, and leasing office. The units will all have dining rooms, central air, stoves, and refrigerators. Expected start date is August 2015, and expected completion date is December 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
11% (9 units) restricted to 50% or less of area median income households.
89% (72 units) restricted to 60% or less of area median income households.
Unit Mix: 2 & 3 bedrooms

There project does not plan to provide service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 28,799,957	
Estimated Hard Costs per Unit:	\$ 142,706	(\$11,559,164 /81 units)
Estimated per Unit Cost:	\$ 355,555	(\$28,799,957 /81 units)
Allocation per Unit:	\$ 189,777	(\$15,371,923 /81 units)
Allocation per Restricted Rental Unit:	\$ 189,777	(\$15,371,923 /81 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 15,371,923	\$ 9,909,980
Deferred Developer Fee	\$ 2,048,866	\$ 1,427,489
LIH Tax Credit Equity	\$ 1,171,858	\$ 7,812,388
Direct & Indirect Public Funds	\$ 8,050,000	\$ 8,050,000
Other(Operating Reserve)	\$ 508,100	\$ 0
Other(Soft Costs)	\$ 49,110	\$ 0
Other(General Partner Contribution)	\$ 100	\$ 100
Other(Bank of America Subordinate Debt)	\$ 1,600,000	\$ 1,600,000
Total Sources	\$ 28,799,957	\$ 28,799,957

Uses of Funds:	
Acquisition/Land Purchase	\$ 8,112,000
On & Off Site Costs	\$ 2,461,900
Hard Construction Costs	\$ 9,097,264
Architect & Engineering Fees	\$ 580,000
Contractor Overhead & Profit	\$ 1,008,574
Developer Fee	\$ 2,386,827
Cost of Issuance	\$ 163,401
Capitalized Interest	\$ 518,400
Other Soft Costs (Marketing, Etc)	\$ 2,961,348
Other Soft Costs (Local Impact Fees)	\$ 1,510,243
Total Uses	\$ 28,799,957

Description of Financial Structure and Bond Issuance:

The proposed financial structure for the project will be a private placement purchase provided by Bank of American for the construction phase, and California Community Reinvestment Corporation for the permanent phase. Bank of America's terms for the construction phase shall be an variable interest rate based upon the Daily Floating LIBOR plus 2.15% per annum. Interest shall be paid monthly and the term of the loan shall be 24 months after the closing date. There can be two three month extensions granted to extend the loan maturity date. The lending terms in the permanent phase will be a fixed interest rate loan equal to 4.65% or the 15 year muni bond index plus 200 bps fixed for 18 years. However the actual interest rate will be decided at the time of the final underwriting.

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: 78 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$15,371,923 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	25
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	8
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	0
New Construction	10	10	10
Sustainable Building Methods	10	10	10
Negative Points	-10	-10	0
Total Points	130	100	78

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.