

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: Brian Clark

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$25,544,496

Project Information:
Name: Villa La Esperanza Apartments
Project Address: 131 South Kellogg Avenue
Project City, County, Zip Code: Goleta, Santa Barbara, 93117

Project Sponsor Information:
Name: Villa La Esperanza, LP (Peoples' Self-Help Housing Corporation)
Principals: John Fowler & Kenneth Trigueiro for Peoples' Self-Help Housing Corporation
Property Management Company: The Duncan Group

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Private Placement Purchaser: Wells Fargo Bank, NA (construction); California Community Reinvestment Corporation (permanent)
TEFRA Adoption Date: April 7, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 81, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

The Project, constructed in 1970, is located on a 4.96-acre parcel in Goleta. The Project, consisting of 19 residential buildings, a community building and 121 parking spaces, will house 81 tenant units (4 studio, 4 one-bedroom, 28 two-bedroom, 26 three-bedroom 18 four-bedroom units and 1 five bedroom units) and 2 three-bedroom tenant units. The Project currently has 75 total units, including 8 five-bedroom units. As part of the proposed rehabilitation, 7 of the existing five-bedroom units will be converted to studio and one-bedroom units. Unit amenities include stove/oven, refrigerator, garbage disposal, patio/balcony, carpeting, blinds and central heat. Site amenities include clubhouse, computer center, secured gated access, and laundry facilities. Unit renovations will include new kitchen cabinets, appliances, counter tops, interior flooring, plumbing fixtures and patio flooring and fencing. Powder rooms will be added to the three-bedroom and four-bedroom units. Site renovations will include a new community building housing an additional laundry facility, classroom, property management and service coordinator's offices, community room, and community kitchen; new solar panels, central mail boxes and patio furniture; and upgrades to perimeter fencing, the existing laundry facilities, landscaping, and exterior lighting. Rehabilitation is expected to begin August 2015 with completion in March 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
31% (25 units) restricted to 50% or less of area median income households.
69% (56 units) restricted to 60% or less of area median income households.
Unit Mix: Studio, 1, 2, 3, 4 and 5 bedrooms

The Project will provide a service coordinator at 756.704 FTE per year.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 38,534,585
Estimated Hard Costs per Unit: \$ 104,436 (\$8,459,341 /81 units)
Estimated per Unit Cost: \$ 475,736 (\$38,534,585 /81 units)
Allocation per Unit: \$ 315,364 (\$25,544,496 /81 units)
Allocation per Restricted Rental Unit: \$ 315,364 (\$25,544,496 /81 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: the expense of acquiring and rehabilitating the project (\$21,900,000), which is located in a high cost area just south of Santa Barbara; the expense of rehabilitation of the of the project (\$8,459,341), due to extensive rehabilitation needs and conversion of seven of the eight current 5-bedroom units into smaller units; and \$1,480,000 in costs to relocate 15-20 over income households.

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 25,544,496	\$ 15,219,400
Income from Operations	\$ 0	\$ 775,000
LIH Tax Credit Equity	\$ 529,742	\$ 10,594,838
Seller Carryback Note	\$ 11,945,347	\$ 11,945,347
Total Sources	<u>\$ 38,019,585</u>	<u>\$ 38,534,585</u>
Uses of Funds:		
Acquisition/Land Purchase	\$ 21,900,000	
Hard Construction Costs	\$ 8,459,341	
Architect & Engineering Fees	\$ 275,000	
Contractor Overhead & Profit	\$ 989,216	
Developer Fee	\$ 2,500,000	
Relocation	\$ 1,480,000	
Cost of Issuance	\$ 612,209	
Capitalized Interest	\$ 946,807	
Local Development Impact Fees	\$ 152,680	
Other Soft Costs (Marketing, etc.)	\$ 1,219,332	
Total Uses	<u>\$ 38,534,585</u>	

Description of Financial Structure and Bond Issuance:

The bonds will be purchased as private placement transactions. Wells Fargo Bank, NA will provide construction financing and The California Community Reinvestment Corporation will provide permanent financing. The construction phase will be for a period of 21 months, during which the Wells Fargo Bank, NA construction loan will be interest-only at a variable rate equal to 30-day LIBOR plus 1.85%. Upon conversion to permanent phase, The California Community Reinvestment Corporation permanent loan will bear interest, pursuant to a 24 month forward commitment/rate lock, at a rate equal to the greater of the 15-year muni bond index plus 200 basis points or 5.75%. The permanent loan will have an 15 year term and 30 year amortization period.

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: 69.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$25,544,496 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	2.5
Service Amenities	10	10	5
New Construction	10	10	0
Sustainable Building Methods	10	10	7
Negative Points	-10	-10	0
Total Points	130	100	69.5

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.