

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: Richard Fischer

Applicant: California Housing Finance Agency

Allocation Amount Requested:
Tax-exempt: \$5,600,000

Project Information:
Name: Virginia Terrace Apartments
Project Address: 615 East Virginia Way
Project City, County, Zip Code: Barstow, San Bernardino, 92311

Project Sponsor Information:
Name: SFC-VT LP (Step Forward Communities, Inc. and TCD Development Services, LLC)
Principals: Duane Henry for Step Forward Communities, Inc. and William E. Rice, for TCD Development Services, LLC
Property Management Company: PMG, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Orrick, Herrington & Sutcliffe LLP
Credit Enhancement Provider: California Housing Finance Agency/ US Dept. of Housing a
Private Placement Purchaser: Not Applicable
TEFRA Adoption Date: January 13, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 75, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

Virginia Terrace Apartments is an existing multifamily apartment complex located at 615 East Virginia Way, in Barstow, San Bernardino County, California. Seventy-five (75) of the units are subject to an existing HAP contract; one unit is a non-revenue manager's unit. The property is currently 100 percent occupied and maintains a waiting list of approximately 45 households. The developer plans to renovate the units with the LIHTC program, and restrict 75 of the units to households with income levels at or below the 50 and 60 percent Area Median Income (AMI) levels. One of the units will remain a manager's units. The site contains approximately 4.5 acres or 196,020 square feet. The subject project will be extensively rehabilitated in accordance with the requirements under the acquisition/rehabilitation program from the California Low Income Housing Tax Credit (LIHTC) Program that awards new tax credits to a qualified project to afford the rehabilitation of the subject project. Rehabilitation begins in June 2015 with the anticipation of completion in June 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
20% (15 units) restricted to 50% or less of area median income households.
80% (60 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

There are no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 8,778,828	
Estimated Hard Costs per Unit:	\$ 36,480	(\$2,736,000 /75 units)
Estimated per Unit Cost:	\$ 117,051	(\$8,778,828 /75 units)
Allocation per Unit:	\$ 74,667	(\$5,600,000 /75 units)
Allocation per Restricted Rental Unit:	\$ 74,667	(\$5,600,000 /75 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 5,600,000	\$ 4,165,000
Deferred Developer Fee	\$ 0	\$ 195,028
LIH Tax Credit Equity	\$ 822,000	\$ 2,741,223
Direct & Indirect Public Funds	\$ 1,364,663	\$ 1,364,663
Other (NOI)	\$ 312,914	\$ 312,914
Total Sources	\$ 8,099,577	\$ 8,778,828

Uses of Funds:	
Acquisition/Land Purchase	\$ 3,112,986
Hard Construction Costs	\$ 2,736,000
Architect & Engineering Fees	\$ 65,000
Contractor Overhead & Profit	\$ 383,040
Developer Fee	\$ 1,019,136
Capitalized Interest	\$ 210,000
Other Soft Costs (Marketing, etc.)	\$ 1,252,666
Total Uses	\$ 8,778,828

Description of Financial Structure and Bond Issuance:

CalHFA plans to issue 24 to 30 month bonds to finance the acquisition/rehabilitation loan. The bonds will be redeemed when the loan converts to permanent. The permanent loan should be funded with an upcoming US Treasury FHA Risk-Share loan purchase program.

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: 55 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$5,600,000 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	30
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	0
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	10
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	10
Negative Points	-10	-10	0
Total Points	130	100	55

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.