

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 15, 2015
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Devon King

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$10,530,000

Project Information:
Name: Northwest Manors II Apartments
Project Address: 700 East Mountain Street; 965 North Raymond Avenue
Project City, County, Zip Code: Pasadena, Los Angeles, 91104

Project Sponsor Information:
Name: East Mountain Housing Associates, L.P. (Northwest Manor, LLC)
Principals: Susan M. Reynolds, Anne B. Reynolds, Brian Kay, Rosemary Starbrawa, Carmen Amigon, Dee Sodano, and Gabe del Rio for Northwest Manor LLC.
Property Management Company: SK Management Company, LLC

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Wells Fargo Bank N.A.
TEFRA Adoption Date: June 1, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 42, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family/Federally Assisted At-Risk

Northwest Manors II is a scattered site development with one property located at 965 North Raymond Avenue (18 units) and the other property located at 700 East Mountain Street (26 units). The two sites are located 0.8 miles from each other. Northwest Manors II on East Mountain Street is on a 0.87 acre rectangular parcel. The two-story wood-framed buildings (built in 1956) includes two buildings, with the larger building of 22 apartments facing the street, and the smaller building of 4 apartments directly behind it. The main building features a central courtyard, a common laundry room on the first floor, and a leasing office and maintenance shop. The property is master-metered for water, gas, and electric, and has central boilers. Northwest Manors II on North Raymond Avenue is on a 0.60 acre rectangular parcel. The U-shaped building (built in 1963) has a central seating area facing North Raymond Avenue. There is a separate laundry building in the back that provides two washers and dryers for the tenants. The property is master-metered for water, gas, and electric, and has central boilers. Site improvements for both sites include painting exterior buildings, upgrade and modernize landscape, modernize existing community spaces, including community room, laundry facilities, and leasing office, install security cameras. Construction is expected to start in November of 2015, and be completed in April of 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
17% (7 units) restricted to 50% or less of area median income households.
83% (35 units) restricted to 60% or less of area median income households.
Unit Mix: Studio, 1 & 2 bedrooms

There will be no service amenities for the project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	14,637,274	
Estimated Hard Costs per Unit:	\$	48,260	(\$2,026,923 /42 units)
Estimated per Unit Cost:	\$	348,507	(\$14,637,274 /42 units)
Allocation per Unit:	\$	250,714	(\$10,530,000 /42 units)
Allocation per Restricted Rental Unit:	\$	250,714	(\$10,530,000 /42 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 10,530,000	\$ 7,200,000
Seller Note	\$ 2,176,723	\$ 2,176,723
Income from Operations	\$ 0	\$ 149,307
Deferred Costs	\$ 1,034,700	\$ 0
LIH Tax Credit Equity	\$ 797,751	\$ 5,013,144
Accrued/Deferred Interest	\$ 98,000	\$ 98,000
Other(General Partner Cont.)	\$ 100	\$ 100
Total Sources	\$ 14,637,274	\$ 14,637,274

Uses of Funds:	
Acquisition/Land Purchase	\$ 7,970,000
On & Off Site Costs	\$ 160,083
Hard Construction Costs	\$ 1,866,840
Architect & Engineering Fees	\$ 162,400
Contractor Overhead & Profit	\$ 315,074
Developer Fee	\$ 1,724,700
Relocation	\$ 187,530
Cost of Issuance	\$ 347,200
Construction and Permanent Financing	\$ 548,600
Reserves	\$ 203,299
Other (Marketing, Third Party Reports, Furnishings etc.)	\$ 692,528
Local Permit/Impact Fees	\$ 22,000
Construction Contingency	\$ 237,020
Legal Fees	\$ 200,000
Total Uses	\$ 14,637,274

Description of Financial Structure and Bond Issuance:

The proposed financial structure for the bond issuance will be a private placement purchase by Wells Fargo Bank N.A. The construction loan term will be for 18 months with a variable interest rate that is equal to the 30 day LIBOR+ 170 bps. The permanent loan term will be 18 years with an amortization based on a 35 year schedule. The permanent loan shall have a fixed rate determined by the lender and based on the 10 year Treasury bill yield plus a spread. The indicative rate as of May 12, 2015 was 4.45% The rate will be locked within five days of construction loan closing.

Analyst Comments:

The proposed project is a scattered site project consisting of two complexes located within 0.8 miles of each other. The unit break down, and unit mix as well as the financial structure represents both projects combined. It is important to note that points are accumulated for a scattered site project based on each projects pro-rata share.

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: 63 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$10,530,000 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	20
Exceeding Minimum Income Restrictions:	35	15	28
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	0
Negative Points	-10	-10	0
Total Points	130	110	63

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.