

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 16, 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: \$13,000,000

The amount of allocation requested is supplemental to the \$31,000,000 of allocation the Project received on January 15, 2014.

Project Information:

Name: Huntington Villa Yorba Apartments (sup)
Project Address: 16000 Villa Yorba
Project City, County, Zip Code: Huntington Beach, Orange, 92647

Project Sponsor Information:

Name: Huntington Villa Yorba Preservation, LP (Huntington Villa Yorba Cornucopia, LLC; and Huntington Villa Preservation Partners, LLC)
Principals: Irene Rivas and Yen Nguyen for Huntington Villa Yorba Cornucopia, LLC; William Szymczak for Huntington Villa Yorba Preservation Partners, LLC
Property Management Company: Preservation Partners Management Group, Inc.

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A./Freddie Mac
TEFRA Adopted Date: August 19, 2015

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 195, plus 3 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family/Federally Assisted At-Risk

The proposed project is an existing 198-unit family apartment project constructed in 1971 on a flat 11.5 acre site. The project is located in the City of Huntington Beach, in the County of Orange. There are 16 two and three story buildings containing 21 one-bedroom units, 156 two-bedroom units and 21 three-bedroom units. The buildings are wood-framed construction with stucco exteriors. The roofs are a combination of flat, finished with a mineral-surfaced cap sheet over a multi-ply bituminous build-up membrane, insulated with rigid insulation and sloped asphalt shingle. According to the Applicant, new Title 24 compliant 20 year NDL warranty cool roof and new 30 year asphalt shingles will be installed as part of the renovation. The property contains a controlled access parking lot with approximately 396 parking spaces, of which 200 are covered carports. The parking area will be repaired, sealed and striped. Security site lighting on buildings and at walkways will also be upgraded. There are four laundry facilities and four playgrounds located on the property for resident use. The anticipated construction will begin in March of 2014 and expected to be completed by December 2014.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

11% (21 units) restricted to 50% or less of area median income households.

89% (174 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2 & 3 bedrooms

There will be no services amenities provided for the proposed project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	62,904,534	
Estimated Hard Costs per Unit:	\$	29,419	(\$5,736,716 /195 units)
Estimated per Unit Cost:	\$	322,587	(\$62,904,534 /195 units)
Allocation per Unit:	\$	225,641	(\$44,000,000 /195 units)
Allocation per Restricted Rental Unit:	\$	225,641	(\$44,000,000 /195 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 44,000,000	\$ 31,000,000
Taxable Bond Proceeds	\$ 10,937,000	\$ 13,000,000
Developer Equity	\$ 2,073,176	\$ 210,176
LIH Tax Credit Equity	\$ 3,910,954	\$ 16,910,954
Other (Marketing, etc.)	\$ 1,983,404	\$ 1,983,404
Total Sources	\$ 62,904,534	\$ 63,104,534
 Uses of Funds:		
Acquisition/Land Purchase	\$ 47,270,000	
Hard Construction Costs	\$ 5,736,716	
Architect & Engineering Fees	\$ 45,883	
Contractor Overhead & Profit	\$ 782,943	
Developer Fee	\$ 2,500,000	
Relocation	\$ 721,100	
Cost of Issuance	\$ 1,335,046	
Capitalized Interest	\$ 2,707,957	
Operating Reserves	\$ 1,000,000	
Other Soft Costs (Third Party Reports, Furnishing, Marketing, etc.)	\$ 1,004,889	
Total Uses	\$ 63,104,534	

Description of Financial Structure and Bond Issuance:

The proposed financing for this project will be a private placement transaction, which involves a Freddie Mac loan structure under the Freddie Mac Targeted Affordable Housing Moderate Rehabilitation Product Line whereby Citibank, N.A., in its capacity as the Freddie Mac Seller Servicer funds a permanent loan at closing. There will not be a separate construction lender. The loan will be an immediate funding permanent mortgage and will start amortizing the month following closing. The Bonds will be fully cash secured by the proceeds of the Freddie Mac Cash Mortgage (bankruptcy remote/preference proof money) which will be funded into a separate Collateral Account and held within the Trust Indenture. The bonds will have a nominal term of 24 months (rehabilitation period) with a built in call option 12 months following closing. Citibank, N.A. will agree to purchase the Bonds at a predetermined spread to the 2-year MMD Index. Once the rehabilitation is completed and the project is placed in service, the Bonds will be redeemed at par by using the proceeds sitting in the Collateral Account. During the permanent financing phase, the loan term will be for 15 years with an amortization period of 35 years. The interest rate will be a fixed rate equal to the sum of the 4.99%. 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.
