

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 Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$5,500,000

Project Information:
Name: Arroyo Del Camino Apartments
Project Address: NE Corner of Corcoran Avenue & Kern Street
Project City, County, Zip Code: Avenal, Kings, 93204

Project Sponsor Information:
Name: Avenal Pacific Associates, LP (TPC Holdings V, LLC; and
Principals: Caleb Roope for TPC Holdings V, LLC; Herb Hawkins, Ken Kugler, Vern Bitney, Lonnie De Asis and Paulie Romero for Kaweah Management Company, Inc.
Property Management Company: Buckingham Property Management

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Boston Capital Finance, LLC (constr. only)
TEFRA Adopted Date: August 13, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 40, plus 1 manager unit
Type: New Construction
Type of Units: Family

The proposed project is a new construction development that will sit on a site of approximately 5.01 acres of land in the City of Avenal, Kings County. The proposed project is Phase 1 of a proposed two phase development. Phase 1 is situated on approximately 2.82 acres on the west portion of the parcel, while the remaining 2.19 +/- acres is on the eastern portion. The proposed development will be a 41-unit rental new construction project. With a mix of 8 two-bedroom units (approximately 920 square feet), 25 three-bedroom units (approximately 1,120 square feet) and 8 four-bedroom units (approximately 1,225 square feet), Arroyo Del Camino will provide affordable housing for families earning up to 50% of the area median income. The units will be newly constructed two-story garden style apartments. The type of construction will be wood frame supported by perimeter foundations with concrete slab flooring. This type of construction will allow the buildings to conform to the natural terrain with only minor amounts of grading. The anticipated construction phase for Phase 1 will be approximately twelve (12) months.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (40 units) restricted to 50% or less of area median income households.
Unit Mix: 2, 3 & 4 bedrooms

No service amenities will be provided in the proposed project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	9,846,740	
Estimated Hard Costs per Unit:	\$	154,758	(\$6,190,333 /40 units)
Estimated per Unit Cost:	\$	246,169	(\$9,846,740 /40 units)
Allocation per Unit:	\$	137,500	(\$5,500,000 /40 units)
Allocation per Restricted Rental Unit:	\$	137,500	(\$5,500,000 /40 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 5,500,000	\$ 0
Taxable Debt Proceeds	\$ 0	\$ 1,200,000
LIH Tax Credit Equity	\$ 539,485	\$ 3,771,740
Direct & Indirect Public Funds	\$ 2,500,000	\$ 4,500,000
Other (Costs Def. Until Conv./ Accrued deferred interest)	\$ 1,307,255	\$ 375,000
Total Sources	\$ 9,846,740	\$ 9,846,740
Uses of Funds:		
Acquisition/Land Purchase	\$ 312,000	
On-Site & Off-Site	\$ 888,000	
Hard Construction Costs	\$ 4,982,333	
Architectural Fees	\$ 350,000	
Survey & Engineering	\$ 150,000	
Contractor Overhead & Profit	\$ 443,044	
Developer Fee	\$ 1,200,000	
Cost of Issuance	\$ 286,371	
Legal Fees	\$ 35,000	
Construction & Permanent Financing	\$ 386,371	
Contingency Cost	\$ 320,000	
Reserves	\$ 107,255	
Other Soft Costs (Third Party Reports, Furnishing, Marketing, etc.)	\$ 386,366	
Total Uses	\$ 9,846,740	

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by Boston Capital Finance (the "Bank") for construction financing only. There will be no permanent tax-exempt debt on the project. During the construction phase, the loan term will be for 24 months. The interest rate for the loan will be a fixed rate priced at 325 basis points above the 10-Year Treasury at the time of rate lock. Bonneville Multifamily Capital will provide a taxable USDA 538 permanent loan in the amount of \$1,200,000. Payment terms on the taxable loan principal and interest monthly will be based on an annually declining balance payment schedule with a loan term and amortization period of 40 years with a underwriting rate of 5.50%. The bonds will be issued by the California Municipal Finance 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.

Total Points: 57.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$5,500,000 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	35
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	5
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	2.5
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	57.5

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.