

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: Brian Clark

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$13,000,000

Project Information:
Name: Sycamore Terrace Apartments
Project Address: 1301 San Bernardino Road
Project City, County, Zip Code: Upland, San Bernardino, 91786

Project Sponsor Information:
Name: Sycamore Terrace Upland, LP (Sycamore Terrace, LLC)
Principals: John H. Cochrane, III, Daniel S. Ogus, David L. Pierce and Benjamin F. Beckler, III for Sycamore Terrace, LLC
Property Management Company: be.group

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, NA
TEFRA Adoption Date: August 10, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 99, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

The Project, constructed in 1979, is located on a 3 acre parcel in Upland. The Project, consisting of a single elevator-served three-story building and a surface parking lot providing 71 covered spaces and 20 uncovered spaces; houses 99 one-bedroom tenant units and a single one-bedroom manager's unit. All tenant units will be income restricted, 30 units at 50% Area Median Income ("AMI") and 69 units at 60% AMI. Unit amenities include wall mounted heat and AC units, balcony/patio, refrigerator, range/stove and garbage disposal. Community amenities include a fitness center, recreation room with kitchen, lounge with computers, key card entry, laundry room, beauty salon, and a library. Renovations will include new HVAC systems, domestic boilers, roofing, corridor ceiling finishes and windows; modernization of elevator equipment and cab interiors; ADA compliance; energy efficiency upgrades; upgraded roof insulation; exterior painting, waterproofing, and balcony/deck coating. Rehabilitation is expected to last 12 months.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
30% (30 units) restricted to 50% or less of area median income households.
70% (69 units) restricted to 60% or less of area median income households.
Unit Mix: 1 bedroom

There will be no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 19,258,026	
Estimated Hard Costs per Unit:	\$ 39,053	(\$3,866,246 /99 units)
Estimated per Unit Cost:	\$ 194,526	(\$19,258,026 /99 units)
Allocation per Unit:	\$ 131,313	(\$13,000,000 /99 units)
Allocation per Restricted Rental Unit:	\$ 131,313	(\$13,000,000 /99 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 13,000,000	\$ 8,649,000
Seller Carryback Note	\$ 3,977,083	\$ 3,977,083
LIH Tax Credit Equity	\$ 764,535	\$ 5,864,643
Accrued/Deferred Interest	\$ 124,300	\$ 124,300
Cash reserves from Seller	\$ 142,000	\$ 142,000
Deferred Costs	\$ 1,250,108	\$ 0
Operating Income	\$ 0	\$ 501,000
Total Sources	\$ 19,258,026	\$ 19,258,026

Uses of Funds:	
Acquisition/Land Purchase	\$ 10,342,000
On & Off Site Costs	\$ 554,195
Hard Construction Costs	\$ 3,312,051
Architect & Engineering Fees	\$ 225,000
Contractor Overhead & Profit	\$ 214,791
Developer Fee	\$ 2,063,600
Legal	\$ 120,000
Cost of Issuance	\$ 388,300
Construction & Permanent Financing	\$ 640,900
Reserves	\$ 345,000
Other Soft Costs (Marketing, etc.)	\$ 1,052,189
Total Uses	\$ 19,258,026

Description of Financial Structure and Bond Issuance:

The bonds will be purchased as a private placement transaction by Citibank, NA. During the construction financing phase the loan term will be for 18 months with a variable interest rate equal to the sum of the SIFMA Municipal Swap index plus a spread of 2.00%. During the permanent financing phase, the loan term will be for 16 years with an amortization period of 35 years at a fixed interest rate equal to the sum of 18 year LIBOR swap rates plus a spread of 2.20%. There was no underwritten rate provided.

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 \$13,000,000 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]	10
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	0
Service Amenities	10	10	7.5
New Construction	10	10	0
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.