

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: Devon King

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$7,000,000

Project Information:
Name: Briarcrest and Rosecrest Apartments
Project Address: 11681 and 11762 Stuart Drive
Project City, County, Zip Code: Garden Grove, Orange, 92483

Project Sponsor Information:
Name: JHC-Acquisitions LLC (Jamboree Housing Corporation)
Principals: Laura Archuleta, Marcy Finamore, Mary Jo Goeizer, Welton Smith, George Searcy
Property Management Company: MPMS, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: JPMorgan and Chase Bank, N.A
TEFRA Adoption Date: July 28, 2015

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

Briarcrest and Rosecrest apartments are two scattered site rehabilitation projects located in the City of Garden Grove. This development will continue to provide approximately 41 studio to three bedroom apartments for families earning at or below 60% of the Area Median Income. Briarcrest (Site 1) consists of 32 studio, one, two, and three bedroom units total. Rosecrest (Site 2) consists of ten one and two bedroom units. The manager's unit will be located at the Briarcrest location. The project currently features five two-story buildings, three laundry facilities, two pools, and an outdoor tot lot. A combination of covered and uncovered parking spaces are provided for residents. The new design anticipates upgrades to allow for compliance with ADA requirements, new countertops, sinks, gas-fired furnances, new appliances, and carpet flooring. Common area renovations will include roof repair, exterior wall repair, and parking lot repair, there will also be the construction of a tot lot, a community building, and the reconfiguration of one studio unit as a leasing office. The planned construction date is December 2015, and it is scheduled to be completed in May 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
25% (10 units) restricted to 50% or less of area median income households.
75% (30 units) restricted to 60% or less of area median income households.
Unit Mix: Studio, 1, 2 & 3 bedrooms

The project will provide instructor led educational, health, and wellness or skill building classes

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

| | | |
|---|---------------|------------------------------------|
| Estimated Total Development Cost: | \$ 13,966,185 | |
| Estimated Hard Costs per Unit: | \$ 80,069 | (\$3,202,779 /40 units) |
| Estimated per Unit Cost: | \$ 349,155 | (\$13,966,185 /40 units) |
| Allocation per Unit: | \$ 175,000 | (\$7,000,000 /40 units) |
| Allocation per Restricted Rental Unit: | \$ 175,000 | (\$7,000,000 /40 restricted units) |

| Sources of Funds: | Construction | Permanent |
|----------------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 7,000,000 | \$ 2,470,167 |
| LIH Tax Credit Equity | \$ 913,340 | \$ 4,566,700 |
| Other (Subordinate Loan) | \$ | \$ 410,000 |
| Other(NOI) | \$ 143,191 | \$ 143,191 |
| Direct and Indirect Public Funds | \$ 123,896 | \$ 123,896 |
| Other(Seller Note) | \$ 5,474,192 | \$ 5,474,192 |
| Other(Deferred Developer Fee) | \$ 311,566 | \$ 778,039 |
| Total Sources | \$ 13,966,185 | \$ 13,966,185 |

| Uses of Funds: | |
|--|----------------------|
| Acquisition/Land Purchase | \$ 7,105,000 |
| Rehabilitation Costs | \$ 3,688,373 |
| Developer Overhead and Profit | \$ 1,500,000 |
| Architectural | \$ 65,000 |
| Survey & Engineering | \$ 55,000 |
| Contingency Costs | \$ 482,039 |
| Legal Fees | \$ 110,000 |
| Const. & Perm. Financing | \$ 413,222 |
| Reserves | \$ 104,051 |
| Soft Costs (3rd Party Rpts., Marketing, Furn., etc.) | \$ 443,500 |
| Total Uses | \$ 13,966,185 |

Description of Financial Structure and Bond Issuance:

The proposed financial structure will be a private placement purchase by JP Morgan and Chase Bank, N.A. During the construction financing phase the loan term will be for a period of 24 months with a floating interest rate equal to a 30 day LIBOR plus 150 basis points. During the permanent financing the the loan term will be 18 years with an 30 year amortization period not to exceed an 10 year interest rate swap plus 2.42%.

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 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$7,000,000 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 | 33 |
| 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 | 1 |
| Community Revitalization Area | 15 | 15 | 0 |
| Site Amenities | 10 | 10 | 5 |
| Service Amenities | 10 | 10 | 5 |
| New Construction | 10 | 10 | 0 |
| Sustainable Building Methods | 10 | 10 | 8 |
| Negative Points | -10 | -10 | 0 |
| Total Points | 130 | 100 | 57 |

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.