Agenda Item No. 6.8
Application No. 14-436

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 16, 2015
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: California Municipal Finance Authority

Allocation Amount Requested:

Tax-exempt:	$11,725,000

Project Information:

Name:	**Rancho California Apartments**
Project Address:	29210 Stonewood Road
Project City, County, Zip Code:	Temecula, Riverside, 92591

Project Sponsor Information:

Name:	Rancho California L.P. (Housing Corporation of America, a 501(c)(3) non-profit corporation & Rancho California LLC)
Principals:	Ronald Olson & Carol Cromar for Housing Corporation of America, a 501(c) (3) non-profit corporation; Thomas L. Safran, Andrew Gross & Jordan Pynes for Rancho California LLC.
Property Management Company:	Thomas Safran & Associates, Inc.

Project Financing Information:

Bond Counsel:	Hawkins, Delafield & Wood LLP
Underwriter:	Not Applicable
Credit Enhancement Provider:	Not Applicable
Private Placement Purchaser:	Citibank, N.A.
TEFRA Adoption Date:	November 10, 2015

Description of Proposed Project:

State Ceiling Pool:	General
Total Number of Units:	54, plus 1 manager unit
Type:	Acquisition and Rehabilitation
Type of Units:	Family

Rancho California, an existing and occupied 55-unit family apartment community located in the City of Temecula, CA. The Project was built in 1983 and consists of 12 one- and two-story structures, totaling 59,207 gross square feet. The proposed scope of rehabilitation include updating appliances (as deemed necessary), building exterior and interiors, common areas, structural upgrades, and mechanical system replacement. Common area renovations include new carpets, flooring, window coverings and fresh paint, new electrical and lighting fixtures, and new windows, doors and hardware, as well as general repairs and significant life and safety upgrades as needed. Units will be updated through cabinets, flooring, countertop and appliance upgrades. Building systems renovations include new HVAC, where replacement is deemed necessary. Building envelope renovations include any needed repairs to the building exterior. Site improvements include general repairs, upgrades and improvements to the parking areas and signage. In addition, carports will be added to provide covered parking. Construction will begin immediately upon closing, and is projected to be completed within approximately 12 months, on or about December 31, 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

20% (11 units) restricted to 50% or less of area median income households.
80% (43 units) restricted to 60% or less of area median income households.

Unit Mix: 2, 3 & 4 bedrooms

The proposed project will/ will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	$ 16,040,257	
Estimated Hard Costs per Unit:	$ 34,736	($1,875,720 /54 units)
Estimated per Unit Cost:	$ 297,042	($16,040,257 /54 units)
Allocation per Unit:	$ 217,130	($11,725,000 /54 units)
Allocation per Restricted Rental Unit:	$ 217,130	($11,725,000 /54 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	$ 11,725,000	$ 8,008,000
Developer Equity	$ 1,639,066	$ 1,120,065
LIH Tax Credit Equity	$ 2,676,192	$ 4,838,848
Other (Citibank Settlement Debt & NOI)	$ 0	$ 2,073,344
Total Sources	$ 16,040,258	$ 16,040,257

Uses of Funds:	
Acquisition/Land Purchase	$ 10,600,000
Hard Construction Costs	$ 1,875,720
Architect & Engineering Fees	$ 185,000
Contractor Overhead & Profit	$ 127,600
Developer Fee	$ 1,689,066
Legal Fees	$ 35,000
Relocation	$ 27,500
Cost of Issuance	$ 109,113
Operating Reserve	$ 183,690
Construction and Permanent Financing	$ 824,563
Misc. Soft Costs (Soft Costs, Insurance, etc.)	$ 383,005
Total Uses	$ 16,040,257

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Description of Financial Structure and Bond Issuance:

This is a Citibank, N.A. two tranche private placement transaction. During the construction financing phase for Tranche A, the loan term will be for 30 months with a sum of the 17 year LIBOR swap index plus a spread of 1.75%; (fixed) indicative interest rate of 4.59% . For Tranche B, a variable rate equal to the SFIMA Index plus a spread of 2.25% Rate adjusting monthly. No amortization during the construction phase. During the permanent financing phase, the loan term will be for 30 years with an amortization period of 35 years at a (fixed) indicative interest rate of 4.59%. There was no underwritten rate provided.

Analyst Comments:

None.

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: 60 out of 130

[See Attachment A**]**

Recommendation:

Staff recommends that the Committee approve $11,725,000 in tax exempt bond allocation on a carryforward basis.

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	30
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	5
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**	**100**	**60**

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.