

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: Jeree Glasser-Hedrick

Applicant: California Public Finance Authority

Allocation Amount Requested:

Tax-exempt: \$7,500,000

Project Information:

Name: E. Boyd Esters Manor
Project Address: 1101 N Central Ave
Project City, County, Zip Code: Compton, Los Angeles, 90222

Project Sponsor Information:

Name: E. Boyd Esters Manor Preservation, LP (Rosecrans Manor)
Principals: Blair Williams, Chairman of the Board of Rosecrans Manor

Property Management Company: Monfric, Inc

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Redstone Partners
TEFRA Adoption Date: November 17, 2015

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 49, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

The project site is located at 1101 N. Central Avenue in Compton, California. The site is one contiguous parcel containing 64,000 square feet and is currently zoned R-H, High-Density Residential District. The existing property, E. Boyd Esters Manor was built in 1984 and consists of 50 units studio and one-bedroom of Senior Housing on five floors. The site amenities include security gates and fencing; onsite parking; a community room; picnic/bbq area; site management; laundry facility; landscaping. The rehabilitation will be done with the tenants in place and will include upgrade for air conditioning and heating units, mechanical and electrical. Interior upgrades will include new kitchen and bathroom equipment, new cabinets, new kitchen surfaces, new flooring, paint and new window treatments. Exterior upgrades will include replacement of certain patio covers, widening of common area pathways, common area lighting, improvements to community areas, elevator cab improvements, parking area improvements and paint.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
41% (20 units) restricted to 50% or less of area median income households.
59% (29 units) restricted to 60% or less of area median income households.
Unit Mix: Studio & 1 bedroom

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	12,531,600	
Estimated Hard Costs per Unit:	\$	22,888	(\$1,121,491 /49 units)
Estimated per Unit Cost:	\$	255,747	(\$12,531,600 /49 units)
Allocation per Unit:	\$	153,061	(\$7,500,000 /49 units)
Allocation per Restricted Rental Unit:	\$	153,061	(\$7,500,000 /49 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 7,500,000	\$ 2,993,452
LIH Tax Credit Equity	\$ 1,138,420	\$ 3,794,733
Direct & Indirect Public Funds	\$ 2,430,222	\$ 2,430,222
Deferred Developer Fee	\$ 707,849	\$ 707,849
Seller Carryback Note	\$ 634,573	\$ 2,186,840
NOI During Construction	\$ 0	\$ 297,968
Other (Replacement Reserves)	\$ 120,536	\$ 120,536
Total Sources	\$ 12,531,600	\$ 12,531,600

Uses of Funds:	
Acquisition/Land Purchase	\$ 7,620,536
Hard Construction Costs	\$ 1,121,491
Architect & Engineering Fees	\$ 180,000
Contractor Overhead & Profit	\$ 153,509
Developer Fee	\$ 1,415,698
Relocation	\$ 75,000
Cost of Issuance	\$ 685,185
Operating Reserve	\$ 321,150
Construction and Permanent Financing	\$ 468,750
Other Soft Costs (Marketing, etc.)	\$ 490,281
Total Uses	\$ 12,531,600

Description of Financial Structure and Bond Issuance:

This is a Redstone Capital private placement transaction. The term of the construction period is up to 24 months and the rate is based on the SIFMA, currently 1.85% plus a spread of 3.15%, with a floor of 4.50%. The permanent loan will have a 40 year term and a 40 year amortization, and the same rates as the construction period. There is also an option to redeem the bonds at year 16.

Analyst Comments:

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 \$7,500,000 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	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	7.5
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	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.