

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 16, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$17,700,000

Project Information:
Name: Sendero Bluffs Apartments
Project Address: NE Corner of Ortega Hwy. & Gateway Place
Project City, County, Zip Code: Rancho Mission Viejo, Orange, 92694

Project Sponsor Information:
Name: Sendero Bluffs Senior Apartments, LP (Ranch Plan Apartments III, LLC and Hearthstone CA Properties I, LLC)
Principals: Michael K. Hayde, Rex F. DeLong & Jeffrey R. Scott for Ranch Plan Apartments III, LLC; Socorro Vasquez, Velma de la Rosa, Eugenia O. Guzman, Juan Maldonado and Carl Domiguez for Hearthstone CA Properties I, LLC
Property Management Company: Western National Properties Management

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Noticing Date: December 28, 2015
TEFRA Adoption Date: January 12, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 106, plus 1 manager unit
Type: New Construction
Type of Units: Senior Citizens

The proposed project is a senior new construction development. The site is approximately 2.78 acres and was previously agricultural land in an unincorporated area of Orange County. The project will consist of a single three-story, wood-frame building on a post-tension concrete slab with a stucco exterior and tile roof. There will be 131 open parking spaces serving the residents, including 5 accessible parking stalls. The project will be designed to meet the needs of its senior residents. The unit configuration will consist of 106 affordable garden-style senior apartments and a manager's unit for a total of 107 units. The project will consist of 87 1-bedroom/1-bath units and 20 2-bedroom/2-bath units. Of the affordable units, 30% will be restricted to rents at 50% AMI and 70% of the rents will be restricted to 60% AMI. The financing will close mid June with a construction start of mid July. All units will be completed September 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

30% (32 units) restricted to 50% or less of area median income households.

70% (74 units) restricted to 60% or less of area median income households.

Unit Mix: 1 & 2 bedrooms

The proposed project will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	23,052,241	
Estimated Hard Costs per Unit:	\$	113,678	(\$12,049,845 /106 units)
Estimated per Unit Cost:	\$	217,474	(\$23,052,241 /106 units)
Allocation per Unit:	\$	166,981	(\$17,700,000 /106 units)
Allocation per Restricted Rental Unit:	\$	166,981	(\$17,700,000 /106 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 17,700,000	\$ 11,050,000
Deferred Developer Fee	\$ 4,301,413	\$ 1,493,960
LIH Tax Credit Equity	\$ 1,050,828	\$ 10,508,281
Total Sources	\$ 23,052,241	\$ 23,052,241

Uses of Funds:	
New Construction	\$ 12,520,888
Architectural Fees	\$ 416,500
Survey & Engineers	\$ 552,801
Constr. Interest & Fees	\$ 1,232,947
Permanent Financing	\$ 72,500
Legal Fees	\$ 110,000
Reserves	\$ 280,612
Appraisal	\$ 16,000
Contingency	\$ 602,492
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 4,374,882
Developer Costs	\$ 2,872,619
Total Uses	\$ 23,052,241

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by Citibank, N.A. During the construction financing phase the loan will be for \$17,700,000 with an underwritten rate of 3.00%. The loan term will be for 24 months with one 6-month option to extend. The interest rate will be fixed at 4.45%. During the permanent financing phase, the loan term will be for 30 years with an amortization period of 35 years at the same rate of 4.45%. The bonds will be issued by the California Statewide Communities Development Authority.

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 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$17,700,000 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
Preservation Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	0
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	0
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	0
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	0
Negative Points (No Maximum)	-10	-10	0
Total Points	140	120	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.