

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 18, 2016
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: \$16,250,000

Project Information:
Name: Shadow Hills Apartments
Project Address: 211-275 E. Wilbur Road
Project City, County, Zip Code: Thousand Oaks, Ventura, 91360

Project Sponsor Information:
Name: Shadow Hills, LLC (Shadow Hills, LLC)
Principals: Rick Schroeder, Michael O'Connor, Jerry Petry, Susan Cass and Gary Barnum for Shadow Hills, LLC
Property Management Company: Many Mansions

Project Financing Information:
Bond Counsel: Quint & Thimmig, LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, NA
TEFRA Noticing Date: February 9, 2016
TEFRA Adoption Date: February 23, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 100, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The Project, constructed in 1980, consists of 7 two-story residential buildings, 1 three-story residential building and 185 surface, carport and garage parking spaces located on a 4.22 acre site in Thousand Oaks. The Project underwent minor rehabilitations in 1993, 1998 and 2007-08. The Project contains 100 tenant units (26 one-bedroom units, 67 two-bedroom units and 7 three bedroom units) and a single three bedroom manager's unit. Unit amenities include central heat/AC, carpeting, blinds, balcony/patio stove/oven, dishwasher, refrigerator, and garbage disposal. Site amenities include on-site management, laundry rooms, tot-lot, pool and a basketball court. Renovations will include ADA accessibility upgrades, including making 6 units fully accessible and 5 units accessible to individuals with sensory disabilities; the addition of a community garden and BBQ/picnic area; new roofing, windows, mailboxes, HVAC system, gutter connections, electric panels, circuit breakers, interior/exterior lighting and kitchen cabinets; dry rot repair; parking lot resurfacing and restriping; concrete repair/replacement and landscaping upgrades. Rehabilitation is expected to begin in July 2016 with completion in February 2017.

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

Unit Mix: 1, 2 & 3 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:	\$	31,178,819	
Estimated Hard Costs per Unit:	\$	50,941	(\$5,094,075 /100 units)
Estimated per Unit Cost:	\$	311,788	(\$31,178,819 /100 units)
Allocation per Unit:	\$	162,500	(\$16,250,000 /100 units)
Allocation per Restricted Rental Unit:	\$	162,500	(\$16,250,000 /100 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 16,250,000	\$ 5,370,000
Citibank Subordinate Loan	\$ 990,000	\$ 990,000
Seller Carryback Loan	\$ 10,019,724	\$ 10,019,724
GP Loan	\$ 0	\$ 1,830,584
LIH Tax Credit Equity	\$ 443,751	\$ 11,060,010
GP Capital Contribution	\$ 100	\$ 100
Accrued/Deferred Interest	\$ 256,500	\$ 256,500
Deferred Costs	\$ 1,854,792	\$ 0
Deferred Developer Fee	\$ 1,313,629	\$ 1,313,629
Purchased Reserves	\$ 59,323	\$ 59,323
Operating Income	\$ 0	\$ 287,949
Total Sources	\$ 31,187,819	\$ 31,187,819

Uses of Funds:	
Land Cost/Acquisition	\$ 17,700,000
Rehabilitation	\$ 6,253,573
Relocation	\$ 459,998
Architectural Fees	\$ 179,048
Survey & Engineering Fees	\$ 28,500
Construction Interest & Fees	\$ 984,442
Permanent Financing Costs	\$ 47,896
Legal Fees	\$ 177,500
Reserves	\$ 324,792
Appraisal	\$ 7,000
Contingency	\$ 781,697
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 429,744
Developer Costs	\$ 3,813,629
Total Uses	\$ 31,187,819

Description of Financial Structure and Bond Issuance:

The bonds will be purchased in a private placement transaction by Citibank, NA. During the construction financing phase the loan term will be for 24 months with a fixed interest rate equal to the sum of the 17-year LIBOR swap index plus a spread of 1.95%, for a current indicative rate of 4.02%, for Tranche A and a variable rate equal to 1-month LIBOR plus a spread of 2.00%, for an all-in rate of 2.44%, for Tranche B. During the permanent financing phase, the loan term will be for 30 years with an amortization period of 34 years at a fixed interest rate equal to the sum of the 17-year LIBOR swap index plus a spread of 1.95%, for a current indicative rate of 4.02%.

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: 70 out of 140
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$16,250,000 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	20
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
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	110	70

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.