

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: Devon King

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$24,250,000

Project Information:
Name: Brookside Crossing Apartments
Project Address: 1685 1st Street
Project City, County, Zip Code: Lincoln, Placer, 95648

Project Sponsor Information:
Name: Lincoln 644, L.P. (USA Lincoln 644, Inc. and Riverside Charitable Corporation)
Principals: Geoffrey C. Brown, Edward R. Herzog, Michael J. McCleery, Karen C. McCurdy, Darren Bobrowsky, and Valerie Silva for USA Lincoln 644, Inc; Kenneth Robertson, Craig Gillett, Penny La Rue, Stewart Hall for Riverside Charitable Corporation
Property Management Company: USA Multifamily Management, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Noticing Date: August 20, 2015
TEFRA Adoption Date: September 8, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 206, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

Brookside Crossing ("Project") is an existing 208-unit affordable apartment home community formerly known as The Oaks at Joiner Ranch. The project was built in two phases. Phase I was completed in 1996 and Phase II was completed in 1998. The site is approximately 13.64 acres. The existing structure consists of twenty four residential apartment buildings and three leasing office/recreation buildings which include laundry facilities and a maintenance area. The Project rehabilitation will include installing new pantry cabinet doors & hardware, new bathroom cabinet doors & hardware, new energy star rated dishwashers, new energy star rated self-cleaning range/oven, new range hoods, new energy star rated refrigerator/freezer, new central heating and air conditioning handlers, new water heaters, and new vertical blinds for all of the units. Rehabilitation for the common areas and the buildings will include a new roof, repairing and replacing siding, landscaping and irrigation improvements, clubhouse upgrades, including adding an exercise room and new fitness equipment, repairing and resurfacing all asphalt drives, updating outdoor play areas, upgrading laundry room finishes, new signage, BBQ/Picnic areas, new sport court, and replacing the mailboxes. Construction start is scheduled for November 2016 and will be completed within 20 months.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
17% (35 units) restricted to 50% or less of area median income households.
83% (171 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2, 3 & 4 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:	\$ 36,066,108	
Estimated Hard Costs per Unit:	\$ 36,479	(\$7,514,619 /206 units)
Estimated per Unit Cost:	\$ 175,078	(\$36,066,108 /206 units)
Allocation per Unit:	\$ 117,718	(\$24,250,000 /206 units)
Allocation per Restricted Rental Unit:	\$ 117,718	(\$24,250,000 /206 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 24,250,000	\$ 18,500,000
Taxable Bond Proceeds	\$ 4,160,000	\$ 4,160,000
LIH Tax Credit Equity	\$ 3,598,228	\$ 12,161,134
Deferred Developer Fee	\$ 4,057,879	\$ 1,244,973
Total Sources	\$ 36,066,107	\$ 36,066,107

Uses of Funds:	
Acquisition/Land Purchase	\$ 19,500,000
Rehabilitation	\$ 9,423,333
Architectural	\$ 35,000
Permanent Financing Expenses	\$ 1,085,241
Construction Period Expenses	\$ 751,553
Cost of Issuance	\$ 200,019
Appraisal	\$ 5,900
Legal Fees	\$ 92,500
Developer Costs	\$ 4,057,878
Capitalized Reserves	\$ 517,000
Other project costs	\$ 397,683
Total Uses	\$ 36,066,107

Description of Financial Structure and Bond Issuance:

The proposed financial structure of the bond issuance will be a private placement purchase provided by Citibank N.A. During the construction financing phase the loan term will be for 24 months with a fixed estimated interest rate of 3.25%. During the permanent financing phase, the loan term will be for 30 years with an amortization period of 35 years at a fixed estimated interest rate of 4.67%.

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:

54 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$24,250,000 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	0
Exceeding Minimum Income Restrictions:	35	15	29
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	5
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	5
Service Amenities	10	10	0
Substantial Renovations	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	54

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.