

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 20, 2016
Revised Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Louise Eller

Applicant: California Public Finance Authority

Allocation Amount Requested: Tax-exempt: \$15,200,000

Project Information:

Name: Village East Apartments
Project Address: 2501 E. Lafayette Street
Project City, County, Zip Code: Stockton, San Joaquin, 95205

Project Sponsor Information:

Name: New Village East, LP (AHCDC Village East LLC and JSCo Village East LLC)
Principals: Joseph Stalzer for AHCDC Village East LLC and Jack Gardner for JSCo Village East LLC
Property Management Company: The John Stewart Company

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Stifel, Nicolaus & Company
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Not Applicable
TEFRA Noticing Date: March 13, 2016
TEFRA Adoption Date: March 29, 2016

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 187, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

Village East Apartments is an existing project located in Stockton. The project consists of 46 one-bedroom units, 96 two-bedroom units and 45 three-bedroom units. There are a total of 22 residential buildings and they range in size from 5 to 16 units. The buildings are of average-quality wood-frame construction. The scope of the rehab includes new roofs, exterior painting, sliding glass doors and door coverings, new kitchen cabinets, countertops, sinks, disposals and appliances, new toilets, bathroom vanities, fixtures and bath fans, new A/C compressors and hot water heaters, drywall repairs and site improvements.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
21% (39 units) restricted to 50% or less of area median income households.
79% (148 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:	\$	22,303,305	
Estimated Hard Costs per Unit:	\$	25,401	(\$4,750,030 /187 units)
Estimated per Unit Cost:	\$	119,269	(\$22,303,305 /187 units)
Allocation per Unit:	\$	81,283	(\$15,200,000 /187 units)
Allocation per Restricted Rental Unit:	\$	81,283	(\$15,200,000 /187 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 15,200,000	\$ 0
Taxable Bond Proceeds	\$ 0	\$ 15,200,000
LIH Tax Credit Equity	\$ 4,439,503	\$ 7,103,205
GP Capital	\$ 100	\$ 100
Deferred Costs	\$ 2,663,701	\$ 0
Total Sources	\$ 22,303,304	\$ 22,303,305

Uses of Funds:	
Land Cost/Acquisition	\$ 10,015,000
Rehabilitation	\$ 5,488,978
Relocation	\$ 175,000
Contractor Overhead	\$ 185,618
Architectural Fees	\$ 316,500
Survey and Engineering	\$ 35,270
Construction Interest and Fees	\$ 497,444
Permanent Financing	\$ 334,216
Legal Fees	\$ 110,000
Reserves	\$ 933,868
Contingency Cost	\$ 750,927
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,067,851
Developer Costs	\$ 2,392,633
Total Uses	\$ 22,303,305

Description of Financial Structure and Bond Issuance:

This is a public offering underwritten by Stifel, Nicolaus & Company. This is an FHA Section 223(f) loan. The bonds will be fully funded, publicly offered short-term cash backed tax-exempt bonds rated AA+ or A-1 by Standard's & Poor's. The borrower will also close a taxable Section 223(f) FHA Insured Loan to provide debt financing for the project simultaneously with the closing of the bonds.

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: 55 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$15,200,000 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	30
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	0
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	55

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.