

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

Prepared by: Brian Clark

Applicant: Golden State Finance Authority

Allocation Amount Requested:
Tax-exempt: \$5,727,000

Project Information:
Name: Harmony Court Apartments
Project Address: 5948 Victor Street
Project City, County, Zip Code: Bakersfield, Kern, 93308

Project Sponsor Information:
Name: Harmony Bakersfield AR, LP (WCH Affordable XXI, LLC and HCHP Affordable Multi-Family, LLC)
Principals: Graham Espley-Jones, Sandy Gibbons and Leanne Troufreh for WCH Affordable XXI, LLC; Michael A. Costa, Robert W. Tetrault, Thomas E. Erickson and Judy Dossen for HCHP Affordable Multi-Family, LLC
Property Management Company: WinnResidential California, LP

Project Financing Information:
Bond Counsel: Kutak Rock, LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: America First Multifamily Investors, LP
TEFRA Noticing Date: May 29, 2016
TEFRA Adoption Date: June 14, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 95, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

The Project, constructed in 1996, is located on a 3.21 acre site in Bakersfield. The Project, consisting of 6 residential buildings, a community building and 96 parking spaces; houses 95 tenant units (80 one-bedroom units and 15 two-bedroom units) and a single two-bedroom manager's unit. Unit amenities include a stove/oven, refrigerator, garbage disposal, walk-in closets, central A/C, carpeting, patio/balcony, coat closet and emergency pull cords. Site amenities include computer lab, clubhouse/meeting room, laundry facility, picnic area, courtyard, swimming pool and on-site management. Unit rehabilitation will include new water heaters, faucet aerators, low-flow shower heads and refrigerators. Exterior rehabilitation will include replacement of the pool gate/panic bar, landings, stair stringers, handrails and roofing; painting; deck repair and pest control. Rehabilitation is slated to begin in the fourth quarter of 2016 with completion in the first quarter of 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
53% (50 units) restricted to 50% or less of area median income households.
47% (45 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:	\$	9,088,367	
Estimated Hard Costs per Unit:	\$	16,478	(\$1,565,446 /95 units)
Estimated per Unit Cost:	\$	95,667	(\$9,088,367 /95 units)
Allocation per Unit:	\$	60,284	(\$5,727,000 /95 units)
Allocation per Restricted Rental Unit:	\$	60,284	(\$5,727,000 /95 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 5,727,000	\$ 2,393,506
LIH Tax Credit Equity	\$ 306,816	\$ 3,702,946
Deferred Costs	\$ 1,183,131	\$ 0
Seller Carryback Loan	\$ 1,871,420	\$ 1,871,420
Developer Loan	\$ 0	\$ 981,888
Net Income From Operations	\$ 0	\$ 138,607
Total Sources	\$ 9,088,367	\$ 9,088,367

Uses of Funds:	
Land Cost/Acquisition	\$ 5,400,000
Rehabilitation	\$ 1,659,373
Contractor Overhead & Profit	\$ 125,236
Architectural Fees	\$ 10,000
Survey and Engineering	\$ 39,450
Construction Interest and Fees	\$ 315,519
Permanent Financing	\$ 137,130
Legal Fees	\$ 137,500
Reserves	\$ 139,564
Appraisal	\$ 6,500
Local Development Impact Fees	\$ 5,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 79,528
Developer Costs	\$ 1,033,567
Total Uses	\$ 9,088,367

Description of Financial Structure and Bond Issuance:

The bonds will be purchased in a private placement transaction by America First Multifamily Investors, LP. During the construction financing phase the loan term will be for 24 months with a fixed interest rate of 5.25% for the senior (series A) bonds and a fixed interest rate of 5.5% for the subordinate (series B) bonds. During the permanent financing phase, the loan term will be for 35 years with an amortization period of 35 years at a fixed interest rate of 5.25% for the senior (series A) bonds and a fixed interest rate of 5.5% for the subordinate (series B) 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: 50 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$5,727,000 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	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	120	50

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.