

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: Devon King

Applicant: Golden State Finance Authority

Allocation Amount Requested:
Tax-exempt: \$9,795,000

Project Information:
Name: Summerhill Family Apartments
Project Address: 6200 Victor Street
Project City, County, Zip Code: Bakersfield, Kern, 93308

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

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

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 127, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The site for Summerhill Family Apartments is located in Bakersfield, Kern County, CA. The development is a 128-unit, multi-family rental community developed in 1996. The wood-framed, slab-on-grade construction consists of 48 two-bedroom/two-bath units, 48 three-bedroom/two-bath units, and 32 four-bedroom/two-bath units which are restricted to low income large family households earning 50% and 60% of the area median income. All units feature a range, dishwasher, garbage disposal, blinds, exterior storage, patio/balcony, central A/C, carpet and vinyl flooring. All common areas are professionally planned and decorated. Project amenities include a computer lab, spa, central laundry, picnic area, playground area, swimming pool. The community will be redeveloped in one phase. The anticipated rehabilitation is slated to begin in the fourth quarter of 2016 with completion slated for approximately the first quarter of 2017. The rehabilitation will include replacing existing water heaters with a new energy efficient model, verifying refrigerant charge testing, installing faucet aerators and low-flow shower heads, adding attic insulation, replacing stair and patio railings, replacing roofing, painting exterior of all buildings, decorative wood removal, seal coating the parking lot, replacing rain gutters.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
41% (52 units) restricted to 50% or less of area median income households.
59% (75 units) restricted to 60% or less of area median income households.
Unit Mix: 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: \$ 14,170,602
Estimated Hard Costs per Unit: \$ 18,504 (\$2,350,058 /127 units)
Estimated per Unit Cost: \$ 111,580 (\$14,170,602 /127 units)
Allocation per Unit: \$ 77,126 (\$9,795,000 /127 units)
Allocation per Restricted Rental Unit: \$ 77,126 (\$9,795,000 /127 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 9,795,000	\$ 6,605,110
GSFA Loan	\$ 350,000	\$ 350,000
LIH Tax Credit Equity	\$ 251,605	\$ 3,775,951
HCHP Developer Fee Note	\$ 0	\$ 1,549,010
Deferred Costs	\$ 1,883,469	\$ 0
Seller Carryback Loan	\$ 1,641,319	\$ 1,641,319
Income during Rehabilitation	\$ 249,212	\$ 249,212
Total Sources	\$ 14,170,605	\$ 14,170,602

Uses of Funds:	
Land Cost/Acquisition	\$ 8,620,000
Rehabilitation	\$ 2,491,061
Contractor Overhead	\$ 188,004
Architectural Fees	\$ 10,000
Survey and Engineering	\$ 40,000
Construction Interest and Fees	\$ 531,579
Permanent Financing	\$ 164,106
Legal Fees	\$ 137,500
Reserves	\$ 242,931
Appraisal	\$ 6,500
Local Development Impact Fees	\$ 5,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 103,384
Developer Costs	\$ 1,630,537
Total Uses	\$ 14,170,602

Description of Financial Structure and Bond Issuance:

The proposed financial structure will be a private placement transaction provided by America First Multifamily Investors L.P. The bonds during the rehabilitation phase will consist of an A Bond (\$6,605,110 with an interest of 5.25%) and a B Bond (\$3,189,890 with an interest rate of 5.50%) with a term of 2 years. Bond interest expense during the rehabilitation period will be a blended fixed interest rate of 5.33%. 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%.

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 \$9,795,000 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	5
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	0
Service Amenities	10	10	0
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	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.