

**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: Richard Fischer*

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<b>Applicant:</b>	<b>California Municipal Finance Authority</b>
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<b>Allocation Amount Requested:</b>	<b>Tax-exempt:</b> \$41,000,000
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<b>Project Information:</b>	<b>Name:</b> Liberty at Aliso Apartments
	<b>Project Address:</b> 4 Liberty
	<b>Project City, County, Zip Code:</b> Aliso Viejo, Orange, 92656

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<b>Project Sponsor Information:</b>	<b>Name:</b> Liberty at Aliso 640, LP (USA Liberty at Aliso 640, Inc. and FFAH II Liberty Aliso, LLC)
	<b>Principals:</b> Geoffrey C. Brown, Michael J. McCleery, Karen C. McCurdy, Darren Bobrowsky, Edward R. Herzog, Steven T. Gall, Arthur M. May, and Valerie Silva for USA Liberty at Aliso 640, Inc.; Thomas E. Willard for FFAH II Liberty Aliso, LLC [Foundation for Affordable Housing II, Inc.]
	<b>Property Management Company:</b> USA Multifamily Management, Inc.

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<b>Project Financing Information:</b>	<b>Bond Counsel:</b> Orrick, Herrington & Sutcliffe LLP
	<b>Underwriter:</b> Not Applicable
	<b>Credit Enhancement Provider:</b> Not Applicable
	<b>Private Placement Purchaser:</b> Citibank, N.A.
	<b>TEFRA Noticing Date:</b> March 21, 2016
	<b>TEFRA Adoption Date:</b> April 6, 2016

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<b>Description of Proposed Project:</b>	<b>State Ceiling Pool:</b> General
	<b>Total Number of Units:</b> 198, plus 2 manager units
	<b>Type:</b> New Construction
	<b>Type of Units:</b> Senior Citizens

The site includes three functional outdoor spaces. The first is a large recreation area located in a partially interior courtyard which will include a pool, water feature, decorative landscaping, and trellis covered outdoor seating. The second and third outdoor areas are interior courtyards that will feature multipurpose gathering areas, decorative landscaping, a community garden planter, and outdoor seating. The four-story building features vertical articulation, decorative stone siding, and enhanced roof elements to present a softer massing to the street level. The main entrance to the building off of Liberty features a 3,450 SF community center with leasing and management office, activity area, full kitchen, computer lab, laundry facilities, mail room, pet washing, and restroom facilities. Solid patio/balcony treatments add semi-private outdoor space while providing additional opportunities for material and color transitions. Metal treatments include patio railings and decorative details, and painted shutters and fabric awnings add interest and variety at the top story. Construction should start at the end of September 2016 and be complete March, 2018.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%

25% (50 units) restricted to 50% or less of area median income households.

75% (148 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:**

<b>Estimated Total Development Cost:</b>	\$	63,302,842	
<b>Estimated Hard Costs per Unit:</b>	\$	145,296	(\$28,768,607 /198 units)
<b>Estimated per Unit Cost:</b>	\$	319,711	(\$63,302,842 /198 units)
<b>Allocation per Unit:</b>	\$	207,071	(\$41,000,000 /198 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	207,071	(\$41,000,000 /198 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 41,000,000	\$ 29,100,000
LIH Tax Credit Equity	\$ 9,026,139	\$ 24,032,244
Deferred Developer Fee	\$ 6,831,703	\$ 3,500,598
City of Aliso Viejo - Housing T. Fund	\$ 2,025,000	\$ 2,250,000
City of Aliso Viejo - Park Fee	\$ 4,420,000	\$ 4,420,000
<b>Total Sources</b>	<b>\$ 63,302,842</b>	<b>\$ 63,302,842</b>

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 8,300,000
New Construction	\$ 31,810,432
Contractor Overhead	\$ 1,424,672
Architectural Fees	\$ 1,330,600
Survey and Engineering	\$ 267,995
Construction Interest and Fees	\$ 1,690,409
Permanent Financing	\$ 1,217,258
Legal Fees	\$ 150,000
Reserves	\$ 591,516
Contingency Cost	\$ 2,459,716
Local Development Impact Fees	\$ 5,622,400
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,606,141
Developer Costs	\$ 6,831,703
<b>Total Uses</b>	<b>\$ 63,302,842</b>

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**Description of Financial Structure and Bond Issuance:**

This is a California Municipal Finance Authority private placement bond transaction. Citibank, N.A. will be handling the Construction and Permanent financing. The Citibank, N.A. financing, during the construction phase the loan term will be for 36 months with a variable interest rate of 2.98%. During the permanent financing phase, the loan term will be for 30 years with an amortization period of 35 years at a fixed rate of 4.01%.

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**Analyst Comments:**

None

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**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.

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**Total Points:** 65.5 out of 140

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$41,000,000 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	33
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	7.5
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
<b>Total Points</b>	<b>140</b>	<b>120</b>	<b>65.5</b>

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.