

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: Sarah Lester

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$14,000,000

Project Information:
Name: Antelope Valley Apartments
Project Address: 43460 32nd Street West
Project City, County, Zip Code: Lancaster, Los Angeles, 93536

Project Sponsor Information:
Name: Antelope Valley Apartment Associates, LP (Antelope Valley GP, LP and AOF Antelope Valley, LLC)
Principals: Gary C. Grant for Antelope Valley GP, LP; Kathy Walker, Philip Kennedy, Steve Jones and Ramam Nayar for AOF Antelope Valley, LLC
Property Management Company: Sage Apartment Communities, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Boston Private Bank & Trust Company
TEFRA Noticing Date: April 30, 2016
TEFRA Adoption Date: May 24, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 119, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is an existing 121 unit development located in the city of Lancaster, County of Los Angeles. It as originally constructed in 1982 and is situated on 8.95 acres. There are 16 two-story buildings with the following unit configuration: 105 2-bedroom/1-bath; 14 3-bedroom/1.5 bath and two (2) 2-bedroom/1-bath manager units. The buildings are wood frame on concrete slab, stucco exterior walls and pitched roofs. The development amenities include a playground, perimeter fence, laundry room, security patrol and on-site management. The property includes 190 carport parking spaces and 74 open parking spaces. The scope of rehabilitation will include: Repair and replace facia at carports as needed; Remove and repair existing sidewalks; Repair and replace patio fences as needed; Replace doors; Paint all exteriors of buildings; Roofing; Repair wood deck at stair landing, new coating; Replace windows; Replacement of flooring/blinds; Replacement of bathroom cabinets; Mold remediation; Solar panels; Replace plumbing fixtures; Install energy star appliances; Replace kitchen and vanity cabinets; Stucco repairs; Kitchen and bathroom countertops; Replace interior doors; Paint interiors of units; Install new mirrors in bathrooms; and Drywall repair and patch, mold patch. Construction is expected to begin around August 2016 and be complete by April 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
20% (24 units) restricted to 50% or less of area median income households.
80% (95 units) restricted to 60% or less of area median income households.
Unit Mix: 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:	\$	20,143,285	
Estimated Hard Costs per Unit:	\$	22,031	(\$2,621,665 /119 units)
Estimated per Unit Cost:	\$	169,271	(\$20,143,285 /119 units)
Allocation per Unit:	\$	117,647	(\$14,000,000 /119 units)
Allocation per Restricted Rental Unit:	\$	117,647	(\$14,000,000 /119 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 14,000,000	\$ 13,100,000
LIH Tax Credit Equity	\$ 4,078,378	\$ 6,698,313
Deferred Developer Fee	\$ 1,719,935	\$ 0
Net Income From Operations	\$ 344,972	\$ 344,972
Total Sources	\$ 20,143,285	\$ 20,143,285

Uses of Funds:	
Land Cost/Acquisition	\$ 12,000,000
Rehabilitation	\$ 2,927,341
Relocation	\$ 322,500
Contractor Overhead	\$ 69,623
Architectural Fees	\$ 70,000
Survey and Engineering	\$ 30,000
Construction Interest and Fees	\$ 825,897
Permanent Financing	\$ 235,000
Legal Fees	\$ 105,000
Reserves	\$ 509,557
Appraisal	\$ 10,000
Contingency Cost	\$ 309,136
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 354,231
Developer Costs	\$ 2,375,000
Total Uses	\$ 20,143,285

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by Boston Private Bank & Trust Company for both construction and permanent financing. During the construction financing phase the loan term will be in amount of \$17,500,000 (Series A) for a loan term of 24 months with a variable interest rate equal to 65% of the one month ICE LIBOR rate that is current two days prior to the closing plus 250 basis points. This is the indicative of an interest rate of 2.79%. During the permanent financing phase, the loan term will be in the amount of \$13,100,000 (Series B) for a loan term of 15 years with an amortization period of 35 years. The interest rate will be the same as that for Series A. The bonds will be issued by the California Municipal Finance Authority.

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 \$14,000,000 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	10
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	5
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	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.