

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: California Municipal Finance Authority

Allocation Amount Requested:

Tax-exempt: \$12,331,338

Project Information:

Name: Village at Los Carneros Apartments
Project Address: 11 Compass Lane, 6500 Sea Star Court, 10 Longshore Place,
6501 Cobble Lane
Project City, County, Zip Code: Goleta, Santa Barbara, 93117

Project Sponsor Information:

Name: Villages at Los Carneros, L.P. (Peoples' Self Help Corporation)
Principals: John Fowler, Annette Montoya, Kenneth Trigueiro for Peoples'
Self Help Corporation
Property Management Company: The Duncan Group

Project Financing Information:

Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: JPMorgan Chase Bank N.A.
TEFRA Noticing Date: March 21, 2016
TEFRA Adoption Date: April 5, 2016

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 69, plus 1 manager unit
Type: New Construction
Type of Units: Family

The Village at Los Cameros development is a new construction project with 70-units of permanently affordable multi-family rental apartments, located in Goleta California. The Village at Los Cameros design consists of four (4) three-story residential buildings with elevator service and includes 14 one-bedroom units, 25 two-bedroom units, and 30 three-bedroom units. One two-bedroom unit of the development is dedicated as residence for an on-site property manager. Unit amenities include central heating and air, blinds, carpet, refrigerator, stove/oven, dishwasher, and garbage disposal. Project amenities include provision of 146 uncovered parking spaces, a 3,578 squarefoot community room, a picnic area, playground, basketball court, two laundry rooms, a computer room, site security cameras, community gardens, outdoor barbecue area, and as noted, elevator service to all buildings. Construction is scheduled to begin in August 2016, with expected completion and market entry in January of 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
19% (13 units) restricted to 50% or less of area median income households.
81% (56 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

The proposed project will be providing a bona fide service coordinator for 519 hrs/yr.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 20,487,895
Estimated Hard Costs per Unit: \$ 167,283 (\$11,542,556 /69 units)
Estimated per Unit Cost: \$ 296,926 (\$20,487,895 /69 units)
Allocation per Unit: \$ 178,715 (\$12,331,338 /69 units)
Allocation per Restricted Rental Unit: \$ 178,715 (\$12,331,338 /69 restricted units)

| Sources of Funds: | <u>Construction</u> | <u>Permanent</u> |
|--|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 12,330,336 | \$ 4,520,100 |
| LIH Tax Credit Equity | \$ 936,615 | \$ 9,251,148 |
| Developer Equity | \$ 0 | \$ 937 |
| Deferred Developer Fee | \$ 0 | \$ 600,000 |
| Sponsor Loan | \$ 4,097,956 | \$ 4,097,956 |
| Public Funds Sources (City of Goleta Fees) | \$ 1,900,000 | \$ 1,900,000 |
| Soft Loan Interest During Construction | \$ 117,754 | \$ 117,754 |
| Total Sources | \$ 19,382,661 | \$ 20,487,895 |

| Uses of Funds: | |
|---|----------------------|
| Land Cost/Acquisition | \$ 147,000 |
| New Construction | \$ 12,762,981 |
| Contractor Overhead | \$ 497,940 |
| Architectural Fees | \$ 120,000 |
| Survey and Engineering | \$ 186,800 |
| Construction Interest and Fees | \$ 910,547 |
| Permanent Financing | \$ 25,000 |
| Legal Fees | \$ 45,000 |
| Reserves | \$ 200,234 |
| Appraisal | \$ 4,500 |
| Contingency Cost | \$ 584,478 |
| Local Development Impact Fees | \$ 1,892,000 |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 611,415 |
| Developer Costs | \$ 2,500,000 |
| Total Uses | \$ 20,487,895 |

Description of Financial Structure and Bond Issuance:

The proposed financial structure will be a private placement transaction provided by JP Morgan Chase Bank, NA. During the construction phase the loan term will be for 21 months. The loan will have a variable interest rate will of the Libor + 135bps. The permanent loan will be based on a 18 year term with a 35 year amortization with a variable rate of interest equal to the 10 year interest rate swap + 2.30%. The indicative all-in-rate is 3.90% as of May 11, 2016. The rate lock will come at closing.

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: 76 out of 140
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$12,331,338 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 | 29 |
| 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 | 10 |
| Community Revitalization Area | 5 | 5 | 0 |
| Site Amenities | 10 | 10 | 0 |
| Service Amenities | 10 | 10 | 5 |
| New Construction | 10 | 10 | 10 |
| Sustainable Building Methods | 10 | 10 | 2 |
| 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 | 76 |

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.