

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

Applicant: California Municipal Finance Authority

Allocation Amount Requested: Tax-exempt: \$6,200,000

Project Information:

Name: Madera Vista Phase 3 Apartments
Project Address: 44155 Margarita Road
Project City, County, Zip Code: Temecula, Riverside, 92592

Project Sponsor Information:

Name: Summerhouse Housing 3, LP (BRIDGE SC, LLC)
Principals: Cynthia Parker, Susan M. Johnson, D. Kemp Valentine,
Kimberly McKay and Rebecca Hlebasko
Property Management Company: BRIDGE Property Management Company

Project Financing Information:

Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, NA
TEFRA Noticing Date: April 10, 2016
TEFRA Adoption Date: April 26, 2016

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 29, plus 1 manager unit
Type: New Construction
Type of Units: Family

The Project will be the third of three adjacent phases of affordable housing development (Phases 1 and 2 are the 80-unit Madera Vista Apartments) located in Temecula. The Project will be located on a 1.18 acre site and will consist of 3 residential buildings with tuck-under garages for each residential unit and 40 surface parking spaces. The Project will contain 29 tenant units (3 one-bedroom units, 13 two-bedroom units and 13 three-bedroom units) and a single two-bedroom manager's unit. Unit amenities will include carpeting, patio/balcony, central heat/AC, blinds, ceiling fans, exterior storage, coat closets, pre-wiring for cable/internet, refrigerator, range/oven, dishwasher, garbage disposal, and microwave. Community amenities will include a playground and on-site management. Additionally, Project residents will be able to use the amenities located in Madera Vista Apartments; including two community buildings, two swimming pools, a jacuzzi, central laundry facility, basketball court, bocce ball and open picnic area. Construction is expected to begin in October 2016 and be completed in July 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
28% (8 units) restricted to 50% or less of area median income households.
72% (21 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 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:	\$	9,319,206	
Estimated Hard Costs per Unit:	\$	162,044	(\$4,699,278 /29 units)
Estimated per Unit Cost:	\$	321,352	(\$9,319,206 /29 units)
Allocation per Unit:	\$	213,793	(\$6,200,000 /29 units)
Allocation per Restricted Rental Unit:	\$	213,793	(\$6,200,000 /29 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 6,200,000	\$ 1,501,000
Citibank, NA Subordinate Loan	\$ 0	\$ 900,000
LIH Tax Credit Equity	\$ 372,000	\$ 3,720,461
Deferred Developer Fee	\$ 767,100	\$ 767,100
Deferred Costs	\$ 149,461	\$ 0
City of Temecula Loan	\$ 721,345	\$ 721,345
County of Riverside NSP Loan	\$ 1,050,000	\$ 1,650,000
Accrued/Deferred Interest	\$ 59,300	\$ 59,300
Total Sources	\$ 9,319,206	\$ 9,319,206

Uses of Funds:	
Land Cost/Acquisition	\$ 721,345
New Construction	\$ 5,019,293
Contractor Overhead & Profit	\$ 197,233
Architectural Fees	\$ 270,000
Survey and Engineering	\$ 219,000
Construction Interest and Fees	\$ 496,767
Permanent Financing	\$ 30,000
Legal Fees	\$ 70,000
Reserves	\$ 76,166
Appraisal	\$ 10,000
Contingency Cost	\$ 263,000
Local Development Impact Fees	\$ 515,132
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 364,170
Developer Costs	\$ 1,067,100
Total Uses	\$ 9,319,206

Description of Financial Structure and Bond Issuance:

The bonds will be purchased in a private placement transaction by Citibank, NA. During the construction financing phase the loan term will be for 18 months with a variable interest rate equal to 1-month LIBOR plus 1.95%. During the permanent financing phase, the loan term will be for 32 years with an amortization period of 35 years at fixed rate equal to the sum of 18-year LIBOR swap rates plus 2.35%.

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: 76.5 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$6,200,000 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	34
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
Gross Rents	5	5	0
Large Family Units	5	5	5
Leveraging	10	10	10
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
Total Points	140	120	76.5

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.