

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 19, 2017
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
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Allocation Amount Requested:	Tax-exempt: \$15,500,000
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Project Information:	Name: Desert Oasis Apartments
	Project Address: 46211 Jackson Street
	Project City, County, Zip Code: Indio, Riverside, 92201

Project Sponsor Information:	Name: Desert Oasis Community Partners, LP (JHC-Desert Oasis, LLC and WNC-Desert Oasis GP, LLC)
	Principals: Marcy V. Finamore for JHC-Desert Oasis, LLC; Anand Kannan and Wilfred N. Cooper for WNC-Desert Oasis GP, LLC
	Property Management Company: FPI Manangement, Inc.

Project Financing Information:	Bond Counsel: Orrick, Herrington & Sutcliffe LLP
	Private Placement Purchaser: Citibank, N.A.
	Cash Flow Permanent Bond: Not Applicable
	Public Sale: Not Applicable
	Underwriter: Not Applicable
	Credit Enhancement Provider: Not Applicable
	Rating: Not Applicable
	TEFRA Noticing Date: May 3, 2017
	TEFRA Adoption Date: May 17, 2017

Description of Proposed Project:	State Ceiling Pool: General
	Total Number of Units: 90
	Manager's Units: 1 Restricted
	Type: Acquisition and Rehabilitation
	Population Served: Family

Desert Oasis Apartments is an existing project located in Indio on a 4.20-acre site. The project consists of 89 restricted rental units and 1 restricted managers' units. The project has 4 one-bedroom units, 28 two-bedroom units, 48 three-bedroom units and 10 four-bedroom units. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of window replacement, stucco work and building envelope. Individual apartment units will be updated with bathrooms, kitchen countertops and cabinetry. Lastly, common or site area renovations will consist of improvements to fencing and landscaping, asphalt replacement, deferred maintenance items and replacing and upgrading building systems as necessary. The rehabilitation is expected to begin in October 2017 and completed in September 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
20% (18 units) restricted to 50% or less of area median income households.
80% (72 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 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:	\$ 21,188,574	
Estimated Hard Costs per Unit:	\$ 40,000	(\$3,600,000 /90 units including mgr. units)
Estimated per Unit Cost:	\$ 235,429	(\$21,188,574 /90 units including mgr. units)
Allocation per Unit:	\$ 172,222	(\$15,500,000 /90 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 174,157	(\$15,500,000 /89 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 15,500,000	\$ 12,202,000
LIH Tax Credit Equity	\$ 1,476,518	\$ 6,815,690
Developer Fee	\$ 2,557,941	\$ 0
Deferred Developer Fee	\$ 0	\$ 516,769
Net Income From Operations	\$ 1,654,115	\$ 1,654,115
Total Sources	\$ 21,188,574	\$ 21,188,574

Uses of Funds:	
Land Cost/Acquisition	\$ 11,000,000
Rehabilitation	\$ 3,902,400
Relocation	\$ 135,000
Contractor Overhead & Profit	\$ 288,000
Architectural Fees	\$ 75,000
Survey and Engineering	\$ 62,000
Construction Interest and Fees	\$ 1,813,341
Permanent Financing	\$ 17,500
Legal Fees	\$ 205,000
Reserves	\$ 300,000
Appraisal	\$ 7,500
Hard Cost Contingency	\$ 414,540
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 410,442
Developer Costs	\$ 2,557,851
Total Uses	\$ 21,188,574

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:

54.7 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$15,500,000 in tax exempt bond allocation on a carryforward ba

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	30
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	9.7
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	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	N/A
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	N/A
Negative Points (No Maximum)	-10	-10	0
Total Points	140	120	54.7