

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
October 17, 2018
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:

Tax-exempt: \$80,000,000

Project Information:

Name: The Sands Apartments
Project Address: 74351 Hovley Lane East
Project City, County, Zip Code: Palm Desert, Riverside, 92260

Project Sponsor Information:

Name: The Sand Apartments, LP (New Cities Investment Partners, LLC and AOF/Pacific Affordable Housing Corporation)
Principals: Lee Newell for New Cities Investment Partners, LLC and Ray Nayar for AOF Pacific Affordable Housing Corporation
Property Management Company: Alliance Property Manager

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Align Finance Partners, LLC
Cash Flow Permanent Bond: Not Applicable
Public Sale: Credit Enhanced
Underwriter: Stern Brothers
Credit Enhancement Provider: East West Bank
Rating: AAA, A1+
TEFRA Noticing Date: April 26, 2018
TEFRA Adoption Date: May 10, 2018

Description of Proposed Project:

State Ceiling Pool: Mixed
Total Number of Units: 388
Manager's Units: 2 Unrestricted
Type: New Construction
Population Served: Family

The Sands Apartments is a new construction project located in Palm Desert on an 18-acre site. The project will consist of 78 restricted rental units, 308 market rate units and 2 unrestricted manager units. The project will include 183 one-bedroom units, 173 two-bedroom units and 32 three-bedroom units. The entire project includes 16 two-story garden-style wood frame buildings with stucco exteriors and pitched roofs. Common amenities include a community room, business center, courtyard, exercise facility, jacuzzi, on-site management, picnic area, playground, recreation areas, swimming pool, media/theatre room, free WiFi in all common areas and adult education classes. Each unit includes a balcony/patio, blinds, central air conditioning, coat closets, exterior storage, walk-in closets, ceiling fans, dishwasher, garbage disposal, oven, refrigerator, washer and dryer. There will be 2 parking spaces per unit provided. The construction is expected to begin December 2018 and be completed in November 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 20%
20% (78 units) restricted to 50% or less of area median income households.
Unit Mix: Studio, 1, 2 & 3 bedrooms

The proposed project will not be receiving service amenity points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 94,690,767	
Estimated Hard Costs per Unit:	\$ 151,802	(\$58,899,287 /388 units including mgr. units)
Estimated per Unit Cost:	\$ 244,048	(\$94,690,767 /388 units including mgr. units)
Allocation per Unit:	\$ 206,186	(\$80,000,000 /388 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 1,025,641	(\$80,000,000 /78 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 68,000,000	\$ 68,000,000
Tranche B Financing	\$ 12,000,000	\$ 7,000,000
LIH Tax Credit Equity	\$ 1,882,480	\$ 4,706,200
Deferred Developer Fee	\$ 3,000,000	\$ 500,000
Partner Equity	\$ 9,808,287	\$ 11,248,941
Cash From Operations	\$ 0	\$ 3,235,626
Total Sources	\$ 94,690,767	\$ 94,690,767

Uses of Funds:	
Land Cost/Acquisition	\$ 4,650,000
Rehabilitation	\$ 700,000
New Construction	\$ 60,176,421
Contractor Overhead & Profit	\$ 5,285,154
Architectural Fees	\$ 850,000
Survey and Engineering	\$ 300,000
Construction Interest and Fees	\$ 10,010,525
Permanent Financing	\$ 766,000
Legal Fees	\$ 725,000
Reserves	\$ 1,513,296
Hard Cost Contingency	\$ 882,341
Local Development Impact Fees	\$ 5,376,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 456,030
Developer Costs	\$ 3,000,000
Total Uses	\$ 94,690,767

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:

31 out of 120 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$80,000,000 in tax-exempt bond allocation on a carryforward basis.

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	6
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
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	10
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	31