

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**October 16, 2019**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Muri Bartkovsky*

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**Applicant:** California Housing Finance Agency

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**Allocation Amount Requested:**

**Tax-exempt:** \$43,570,734

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**Project Information:**

**Name:** Villa Valley Apartments  
**Project Address:** 15950 Sherman Way  
**Project City, County, Zip Code:** Van Nuys, Los Angeles, 91406

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**Project Sponsor Information:**

**Name:** Villa Valley Apartments, L.P. (Villa Valley Apartments GP, LLC (Parent Company: Desola Capital Group, LLC); AOF Pacific CA-1 LLC (Parent Company: AOF/Pacific Affordable))  
**Principals:** Grant C. Gary of Villa Valley Apartments GP, LLC and Thomas J. Null of AOF Pacific Pacific CA-1 LLC  
**Property Management Company:** Sage Apartment Communities, Inc.

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**Project Financing Information:**

**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Private Placement Purchaser:** JLL Capital Markets/DeSola  
**Cash Flow Permanent Bond:** Not Applicable  
**Public Sale:** Not Applicable  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Rating:** Not Applicable  
**TEFRA Noticing Date:** August 8, 2019  
**TEFRA Adoption Date:** August 29, 2019

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**Description of Proposed Project:**

**State Ceiling Pool:** General  
**Total Number of Units:** 146  
**Manager's Units:** 1 Unrestricted  
**Type:** Acquisition and Rehabilitation  
**Population Served:** Senior Citizens

Villa Valley Apartments is an existing project located in Van Nuys on a 3.6 acre site in a mixed-use neighborhood. The project consists of 145 restricted rental units and 1 unrestricted manager unit. The project has 145 one-bedroom units and 1 two-bedroom unit. All the units will continue to be LIHTC restricted to low-income seniors. Building exterior renovations will consist of new; windows and doors, insulated “cool roofing”, and signage. Interior renovations will include new; LED fixtures throughout the unit, kitchen sinks, cabinets, countertops, appliances, vanity cabinets, bathroom sinks, toilets, exhaust fans, doors as-needed, hardware, linen cabinets, tub/showers, flooring, and paint throughout. Lastly, site area renovations will consist of new; landscaping, pathways to accessible units and on-site parking, LED lighting, flooring, electrical as needed and replace and update elevators. The rehabilitation is expected to begin in February 2020 and be completed in June 2021.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
45% (65 units) restricted to 50% or less of area median income households.  
55% (80 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 1 & 2 bedrooms

The proposed project will not be receiving service amenity points.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 70,271,722	
<b>Estimated Hard Costs per Unit:</b>	\$ 197,028	(\$28,766,030 /146 units including mgr. unit)
<b>Estimated per Unit Cost:</b>	\$ 481,313	(\$70,271,722 /146 units including mgr. unit)
<b>Allocation per Unit:</b>	\$ 298,430	(\$43,570,734 /146 units including mgr. unit)
<b>Allocation per Restricted Rental Unit:</b>	\$ 300,488	(\$43,570,734 /145 restricted units)

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 40,570,734	\$ 40,570,734
Cash Flow Permanent Bonds	\$ 0	\$ 0
Tranche B Financing	\$ 0	\$ 0
Taxable Bond Proceeds	\$ 3,111,059	\$ 0
LIH Tax Credit Equity	\$ 12,715,095	\$ 20,740,390
Developer Equity	\$ 0	\$ 0
Deferred Developer Fee	\$ 0	\$ 6,376,869
Deferred Costs	\$ 9,528,419	\$ 0
Seller Carryback Loan	\$ 0	\$ 0
Itemized Public Funds Sources	\$ 0	\$ 0
Net Income From Operations	\$ 1,346,415	\$ 2,583,729
Tax Exempt Equity Bridge Loan	\$ 3,000,000	\$ 0
Misc	\$ 0	\$ 0
Misc	\$ 0	\$ 0
<b>Total Sources</b>	<b>\$ 70,271,722</b>	<b>\$ 70,271,722</b>

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 50,035,000
Rehabilitation	\$ 5,383,098
Relocation	\$ 500,000
New Construction	\$ 0
Contractor Overhead & Profit	\$ 0
Architectural Fees	\$ 125,000
Survey and Engineering	\$ 8,500
Construction Interest and Fees	\$ 3,690,297
Permanent Financing	\$ 455,137
Legal Fees	\$ 350,000
Reserves	\$ 661,836
Appraisal	\$ 0
Hard Cost Contingency	\$ 463,000
Local Development Impact Fees	\$ 405,816
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 50,000
Developer Costs	\$ 8,144,038
<b>Total Uses</b>	<b>\$ 70,271,722</b>

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**Analyst Comments:**

None

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**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.

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**Total Points:**

59 out of 140 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approves \$43,570,734 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	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Large Family Units	5	5	0
Leveraging	10	10	9
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
<b>Total Points</b>	<b>140</b>	<b>110</b>	<b>59</b>