

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 26, 2012
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

Allocation Amount Requested:
Tax-exempt: \$20,000,000

Project Information:
Name: Casa de la Paloma Apartments
Project Address: 133 S. Kenwood Street
Project City, County, Zip Code: Glendale, Los Angeles, 91205

Project Sponsor Information:
Name: Casa de la Paloma, LP (Casa de la Paloma, LLC; and Carmel Senior Housing, Inc.)
Principals: John Cochrane III, David Pierce and David Decker for Casa de la Paloma, LLC; and Leon L. Gean, Bruce Laycock and David Grant for Carmel Senior Housing, Inc.
Property Management Company: The be.group

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: US Bank, N.A.
TEFRA Hearing Date: August 21, 2012

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 166, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

The proposed project is an existing nine-story 167 unit affordable senior citizen and handicapped apartment complex located in the City of Glendale in the County of Los Angeles. The project site is 1.2 acres in size, flat in topography and rectangular in shape and was originally built in 1978 under the HUD 221(d)(3) program. All units are 1-bedroom units and all include restricted rents which are affordable to seniors 62 years of age and older and handicapped individuals. Of the 167 units, 50 units will be restricted to households with incomes at 50% of the area median income, 116 units will be restricted to households with incomes at 60% of the area median income and one will be a manager's unit. The proposed rehabilitation will consist of the following building improvements: replacement of all elevator components and cab interiors, new heating, ventilating, air conditioning systems and domestic boilers, additional new secondary heating and air conditioning systems in key common areas, new roof membrane system, new parking lot surface, ADA and UFAS upgrades to address deficiencies related to code changes and upgrades ADA standards, energy efficiency upgrades, exterior painting, waterproofing and balcony deck coating, new irrigation system and landscaping upgrades and new corridor ceiling fans. The application states that all proposed rehabilitation work will be completed within 18 months of completion of refinancing activities.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
30% (50 units) restricted to 50% or less of area median income households.
70% (116 units) restricted to 60% or less of area median income households.
Unit Mix: 1 bedroom

There will be no service amenities provided for the project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 40,995,074
Estimated Hard Costs per Unit: \$ 22,337 (\$3,707,988 /166 units)
Estimated per Unit Cost: \$ 246,958 (\$40,995,074 /166 units)
Allocation per Unit: \$ 120,482 (\$20,000,000 /166 units)
Allocation per Restricted Rental Unit: \$ 120,482 (\$20,000,000 /166 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 20,000,000	\$ 6,891,300
LIH Tax Credit Equity	\$ 100,000	\$ 11,937,398
Other(seller fin., cash reserve from seller, NOI during rehab)	\$ 20,895,074	\$ 22,166,376
Total Sources	\$ 40,995,074	\$ 40,995,074

Uses of Funds:	
Acquisition/Land Purchase	\$ 30,632,031
Hard Construction Costs	\$ 3,707,988
Architect & Engineering Fees	\$ 250,000
Contractor Overhead & Profit	\$ 418,055
Developer Fee	\$ 2,500,000
Relocation	\$ 835,000
Cost of Issuance	\$ 122,000
Capitalized Interest	\$ 629,200
Other Soft Costs (Marketing, etc.)	\$ 1,900,800
Total Uses	\$ 40,995,074

Description of Financial Structure and Bond Issuance:

The financial structure of the proposed project will be a private placement transaction provided by US Bank for both construction and permanent financing. During construction, the bonds will carry a variable interest rate based on the 30-day LIBOR plus 225 basis points. The construction loan period will be 14 months. The permanent phase bonds will be unwritten in two tranches: one based on NOI from underlying, restricted LIHTC + bond covenant rents (18-year term / 25-year amortization plus one 6-month extension) and a second based on Section 8 income exceeding those rents (20-year term / 20-year amortization). The permanent phase will be priced at the greater of a fixed interest rate equal to CIP plus 200 basis points.

Analyst Comments:

All units in the project include project based Section 8 rental subsidy provided by HUD. Residents pay 30% of their income towards rent. Project based Section 8 rental assistance and all affordability restrictions are scheduled to expire 40 years from the date the community was first put in service in 1979 (expires 2019).

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:

60 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$20,000,000 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
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	60

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.