

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 21, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Leslie J. Campaz

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$28,000,000

Project Information:
Name: Auburn Villa Apartments
Project Address: 628 Mikkelsen Drive
Project City, County, Zip Code: Auburn, Placer, 95603

Project Sponsor Information:
Name: Auburn Villa Preservation LP (Auburn Villa Cornucopia LLC;
Auburn Villa Preservation Partners LLC)
Principals: Irene Rivas and Yen Nguyen for Auburn Villa Cornucopia LLC;
William Szymczak for Auburn Villa Preservation Partners LLC
Property Management Company: Preservation Partners Management Group, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Adoption Date: January 7, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 49, with 1 manager's unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens/Federally Assisted At-Risk

The proposed acquisition and rehabilitation project is an existing 50-unit senior apartment development constructed on a flat 3.045 acre site located in the City of Auburn, California. The project targets senior households aged 62 and over earning up to 60% of the area median income. The scope of rehabilitation will be substantial including replacement of all interior appliances, cabinetry (bathroom and kitchen), and carpeting, along with replacement and enhancement to property exteriors.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
10% (5 units) restricted to 50% or less of area median income households.
90% (44 units) restricted to 60% or less of area median income households.
Unit Mix: 1 bedroom

No service amenities will be provided.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 7,427,893
Estimated Hard Costs per Unit: \$ 39,452 (\$1,933,166 /49 units)
Estimated per Unit Cost: \$ 151,590 (\$7,427,893 /49 units)
Allocation per Unit: \$ 122,448 (\$28,000,000 /49 units)
Allocation per Restricted Rental Unit: \$ 122,448 (\$28,000,000 /49 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 6,000,000	\$ 4,250,000
Developer Equity	\$ 854,165	\$ 402,949
LIH Tax Credit Equity	\$ 363,667	\$ 2,564,883
Other	\$ 210,061	\$ 210,061
Total Sources	<u>\$ 7,427,893</u>	<u>\$ 7,427,893</u>
Uses of Funds:		
Acquisition/Land Purchase	\$ 3,500,000	
Hard Construction Costs	\$ 1,933,166	
Architect & Engineering Fees	\$ 20,000	
Contractor Overhead & Profit	\$ 131,151	
Developer Fee	\$ 854,165	
Relocation	\$ 67,500	
Capitalized Interest	\$ 221,125	
Cost of Issuance	\$ 600,786	
Other Soft Costs (Marketing, etc.)	\$ 100,000	
Total Uses	<u>\$ 7,427,893</u>	

Description of Financial Structure and Bond Issuance:

This will be a private placement bond transaction with the bonds being purchased by Citibank, N.A. The bonds will be issued by the California Statewide Communities Development Authority. Citi Community Capital will be the construction and permanent lender for this project. The construction period for the bonds will be 24 months with a possible extension period of 6 months. The permanent loan term will amortize over 35 years with a repayment of the loan in year 17 after the closing. The permanent interest rate will be based on the 16 year LIBOR swap plus 1.80% (currently estimated to be 5.5%). The permanent loan will be sized to a Debt Service Coverage of 1:15 with a maximum loan to value at 90% and a maximum loan cost at 80%.

Analyst Comments:

Not Applicable

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: 57.5 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$6,000,000 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	20
Exceeding Minimum Income Restrictions:	35	15	25
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	0
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	7.5
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	110	57.5

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.