

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: \$7,500,000

Project Information:
Name: Royal Vista Terrace Apartments
Project Address: 1310 Royal Oaks Dr.
Project City, County, Zip Code: Duarte, Los Angeles, 91010

Project Sponsor Information:
Name: Royal Vista Terrace Apartments, L.P. (Royal Vista Terrace Apartments, LLC; Southern California Presbyterian Homes)
Principals: John H. Cochrane III, Daniel S. Ogus, David L. Pierce and Benjamin F. Beckler III for both entities.
Property Management Company: be.group

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Adoption Date: April 8, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 74, with 1 manager's unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

The proposed acquisition and rehabilitation project is an existing senior apartment development located in the City of Duarte, Los Angeles county. The project targets senior households earning up to 60% of the area median income. All of the project's units are 1 bedroom apartments. The planned rehabilitation includes modernization of elevator equipment components and cab interiors; new heating, ventilating, air conditioning systems in key common areas; roofing including a new membrane system and asphalt shingles; energy efficiency upgrades, new dual glazed low-e windows, and exterior painting, waterproofing, and balcony deck coating.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (74 units) restricted to 50% 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:	\$	14,327,723	
Estimated Hard Costs per Unit:	\$	34,158	(\$2,527,723 /74 units)
Estimated per Unit Cost:	\$	193,618	(\$14,327,723 /74 units)
Allocation per Unit:	\$	101,351	(\$7,500,000 /74 units)
Allocation per Restricted Rental Unit:	\$	101,351	(\$7,500,000 /74 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 7,500,000	\$ 4,191,000
LIH Tax Credit Equity	\$ 179,933	\$ 4,118,991
Other(Seller Note, Deferred Costs, NOI)	\$ 6,647,810	\$ 6,017,752
Total Sources	\$ 14,327,743	\$ 14,327,743

Uses of Funds:	
Acquisition/Land Purchase	\$ 7,971,891
Hard Construction Costs	\$ 2,527,723
Architect & Engineering Fees	\$ 175,000
Contractor Overhead & Profit	\$ 140,429
Developer Fee	\$ 1,396,300
Capitalized Interest	\$ 518,000
Cost of Issuance	\$ 279,500
Other Soft Costs (Marketing, etc.)	\$ 1,318,880
Total Uses	\$ 14,327,723

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 Municipal Finance Authority. Citibank, N.A. will be the construction and permanent lender for this project. During the construction phase the bonds shall bear interest at a rate equal to the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index plus a spread of 2.00%. The construction period will be for 12 months plus one 6-month extension. At the permanent financing phase, the bonds shall bear a fixed interest rate equal to the sum of 18 year maturity "AAA" bond rates as published by Thompson Municipal Market Monitor ("MMM") plus a spread of 2.20%. The term for the permanent loan is 16 years with an amortization period of 35 years.

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: 60 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$7,500,000 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.