

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 16, 2014
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: \$7,000,000

Project Information:
Name: William Penn Manor Apartments
Project Address: 7025 Friends Avenue
Project City, County, Zip Code: Whittier, Los Angeles, 90602

Project Sponsor Information:
Name: WPM Housing, LP (Housing Corporation of America and WPM Housing LLC)
Principals: Ronald Olson and Carol Cromar for Housing Corporation of America; Thomas Safran and Rick Siebert for WPM Housing LLC
Property Management Company: Thomas Safran & Associates, Inc.

Project Financing Information:
Bond Counsel: Hawkins, Delafield & Wood LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A. (constr.) / PNC Bank, N.A. (perm)
TEFRA Adopted Date: December 10, 2013

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

The proposed project is an existing development that was completed in 1991 and is located in the City of Whittier, County of Los Angeles. It consists of a single, six-story, interior-access, elevator-served, mid-rise tower totaling approximately 66,370 gross square feet. The residential area consists of 56 one-bedroom units and 18 studio units. The structure is situated on a generally flat, rectangular 1.32 acre site. The property offers 27 off-street surface parking spaces available at no additional charge. The scope of the rehabilitation will include updating appliances (as deemed necessary), building exterior and interiors, common areas and landscaping. In addition, a business center / computer lab, picnic area with barbeque grills, and security cameras will be added. Common area renovations include new carpets, flooring, window coverings and fresh paint, new electrical and lighting fixtures, new doors and hardware, as well as general repairs and health and safety upgrades as needed. The community room will be further upgraded with new furniture and a pool table, a TV lounge area with a wide-screen HDTV, and a new and more spacious kitchen with new cabinets and countertops, new sinks, vanities and plumbing fixtures, and all new appliances. Common area bathrooms will also be fully renovated and made ADA-compliant. Construction will begin immediately upon closing, and is projected to be completed within approximately 6-7 months.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

12% (9 units) restricted to 50% or less of area median income households.

88% (65 units) restricted to 60% or less of area median income households.

Unit Mix: Studio & 1 bedroom

There will be no service amenities provided for the proposed project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 13,455,299	
Estimated Hard Costs per Unit:	\$ 15,948	(\$1,180,170 /74 units)
Estimated per Unit Cost:	\$ 181,828	(\$13,455,299 /74 units)
Allocation per Unit:	\$ 94,595	(\$7,000,000 /74 units)
Allocation per Restricted Rental Unit:	\$ 94,595	(\$7,000,000 /74 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 7,000,000	\$ 0
Taxable Bond Proceeds	\$ 1,219,300	\$ 8,219,300
Deferred Developer Fee	\$ 1,345,734	\$ 451,873
LIH Tax Credit Equity	\$ 2,830,561	\$ 3,724,422
Direct & Indirect Public Funds	\$ 603,041	\$ 603,041
Other (NOI During Constr.)	\$ 456,663	\$ 456,663
Total Sources	\$ 13,455,299	\$ 13,455,299

Uses of Funds:	
Acquisition/Land Purchase	\$ 8,603,041
Hard Construction Costs	\$ 1,180,170
Architect & Engineering Fees	\$ 90,000
Contractor Overhead & Profit	\$ 169,200
Developer Fee	\$ 1,362,816
Relocation	\$ 22,500
Cost of Issuance	\$ 259,708
Financing Costs (including interest)	\$ 705,455
Other Soft Costs (Marketing, etc.)	\$ 1,062,409
Total Uses	\$ 13,455,299

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by Citibank, N.A. for construction financing and PNC Bank, N.A. for permanent financing. During the construction phase, the loan term will be for 18 months. The interest rate will be a fixed rate calculated by adding a 0.24% spread to the average of the 1-year MMD index and the 2-year MMD index, which at the time of application was 0.26%, resulting in a rate of 0.50% based upon that rate at that time. Payments during the construction phase will be interest only. During the permanent financing phase, PNC Bank will provide taxable financing in the form of a 221(d)(4) FHA insured construction-to-permanent loan in the amount of \$8,694,600. These taxable loan proceeds together with certain other bankruptcy remote funds will be deposited into the Collateral Fund under the Indenture in amounts equal to the Bond Proceeds that are simultaneously disbursed by the Trustee to pay eligible project costs. The loan term and amortization period will be for 40 years. The interest rate to be used is estimated at 4.95% based on market conditions at the time of application. The final rate at which the loan will be set prior to initial endorsement is subject to market conditions at the time of the HUD Firm Commitment to Insure. The bonds will be issued by the California Municipal Finance Authority.

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: 61 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$7,000,000 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	26
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	10
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	61

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.